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

FORM 10-K

(Mark One)

[X] Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the fiscal year ended December 31, 1997

or

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

OWENS-ILLINOIS, INC.
(Exact name of registrant as specified in its charter)

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

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

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, $.01 par value	New York Stock Exchange
7.85% Senior Notes due 2004	New York Stock Exchange
8.10% Senior Notes due 2007	New York Stock Exchange
11% Senior Debentures due December 1, 2003	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

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

Yes x No ____

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

The aggregate market value (based on the consolidated tape closing price on

February 28, 1998) of the voting stock beneficially held by non-affiliates of Owens-Illinois, Inc. was approximately $3,965,023,000. 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, 1998, was 140,609,608.

DOCUMENTS INCORPORATED BY REFERENCE

Part III   Owens-Illinois, Inc. Proxy Statement for The Annual Meeting of Share Owners To Be Held Wednesday, May 13, 1998 ("Proxy Statement").

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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 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 containers in the United States, North America, South America and India, and the second largest in Europe, the Company is a leading manufacturer in the United States of plastic containers, plastic closures, plastic prescription containers, labels, and multipack plastic carriers for beverage containers. Since 1992, through acquisitions and investments strategic to its core businesses, the Company has furthered its market leadership position in the geographic areas in which it competes. During the years 1993 through 1997, the Company has invested more than $1.5 billion in capital expenditures (excluding acquisition expenditures) to improve productivity and increase capacity in key locations.

In February 1997, the Company completed the acquisition of 79% of AVIR S.p.A. ("AVIR"), the largest manufacturer of glass containers in Italy and the Czech Republic, and the fourth largest in Spain. In addition to purchasing this controlling interest pursuant to an acquisition agreement, the Company acquired an additional 20% interest through public tender offers completed during the second half of 1997. Total purchase cost for AVIR was approximately $586 million. AVIR has 15 manufacturing facilities throughout Italy and two manufacturing facilities in each of the Czech Republic and Spain. The AVIR operations contributed over $500 million to 1997 consolidated sales.

Also in February 1997, the Company acquired certain assets of one of its major competitors in the U.S. glass container segment of the rigid packaging industry, Anchor Glass Container Corporation, which had filed for protection under Chapter 11 of the United States Bankruptcy Code. The assets acquired included two glass container manufacturing facilities and the assumption of contractual agreements with a major U.S. brewer, including a partnership interest in a glass container manufacturing facility ("the Anchor Assets"). The Company acquired the Anchor Assets for approximately $125 million plus the assumption of certain liabilities.

During the second quarter of 1997, the Company implemented a refinancing plan (the "Refinancing Plan") designed to reduce interest expense, reduce the amount of long-term debt, and improve financial flexibility. The Refinancing Plan, which was completed on October 15, 1997, included a $1.2 billion increase in the borrowing capacity under the Company's bank credit agreement to a total of $3.0 billion, the sale of 16,936,100 shares of common stock, par value $.01 per share, for net proceeds of $464.2 million, the issuance of $600 million of senior notes at an average interest rate of approximately 8%, and the retirement of approximately $1.9 billion of higher cost debt. The sale of

the shares of common stock and the issuance of the senior notes were made pursuant to public offerings.

On March 1, 1998, the Company signed a definitive agreement to acquire the worldwide glass and plastic packaging businesses of BTR Plc ("BTR") in an all cash transaction valued at approximately $3.6 billion (the "BTR Acquisition"). The BTR Acquisition is subject to the approval of BTR's shareholders and regulatory approvals. Although there can be no assurance of these approvals, the Company believes that the approvals will be obtained and that the BTR Acquisition will close in the second quarter of 1998.

The Company has secured commitments from certain banks participating in its current bank credit agreement to provide financing to consummate the BTR Acquisition. Following the closing, the Company plans to refinance a portion of the bank borrowings with public offerings of debt and equity securities. On March 6, 1998, the Company filed a universal shelf registration statement with the Securities and Exchange Commission for offerings of up to $4.0 billion of debt securities, preferred stock, common stock, or some combination thereof from time to time as market conditions permit.

BTR's glass packaging unit is the leading glass container manufacturer in Australia and New Zealand, a leading supplier in the United Kingdom and participates in joint ventures in China and Indonesia. The Company has provided technology and equipment to BTR's glass container operations since 1967 and to certain BTR plastics businesses under a series of technical assistance agreements.

In plastics, BTR is a leading supplier of polyethylene terephthalate (PET) hot fill food and drink containers, with operations in the United States, Australia, New Zealand, the United Kingdom, the Netherlands, and in emerging markets in such areas as Brazil, China, Hungary, Mexico and Saudi Arabia through its Continental PET Technologies unit. In addition, BTR's ACI operations in Australia and New Zealand produce a variety of plastic bottles and closures of high density polyethylene and polypropylene.

Since 1991, excluding the BTR Acquisition, the Company has acquired 10 glass container companies serving emerging markets and eight plastic packaging operations. These acquisitions are consistent with the Company's strategy to maintain leadership in glass and plastic packaging and to pursue revenue and earnings growth opportunities around the world. BTR's worldwide glass and packaging businesses had 1997 sales of approximately $1.5 billion.

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

Financial Information about Industry Segments

Information as to sales, operating profit, and identifiable assets by industry segment is included on pages 65 - 67.

Narrative Description of Business

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

Products and Services, Customers, Markets and Competitive Conditions, and Methods of Distribution

GLASS CONTAINERS INDUSTRY SEGMENT

The Company is a leading manufacturer of glass containers throughout the world. In addition to being the largest maker of glass containers in the United States, North America, South America and India, the Company also is a leading manufacturer of glass packaging in Europe. Worldwide glass container sales represented 71%, 66%, and 66% of the Company's consolidated net sales for the years ended December 31, 1997, 1996, and 1995, 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.

The Company currently has technical assistance agreements with 36 different companies in 38 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.

Products and Services

Glass containers are produced in a wide range of sizes, shapes and colors for beer, food, tea, fruit juice, soft drinks, liquor, wine, wine coolers and pharmaceuticals. The Company has been a leader in product innovation, introducing products including long neck nonreturnable beer bottles, and in developing containers for teas, juices, food, soft drinks and wine coolers.

The Company's product development efforts in glass containers are aimed at providing custom designed packaging systems to customers and consumers. Product lines designed to complement glass containers include product extensions related to single service packages for teas, juices and soft drinks and innovative secondary packaging systems such as closures, carriers and labeled containers.

Customers

Beer, food (which include juices and teas), liquor (i.e. distilled spirits) and wine producers comprise the majority of industry demand for U.S. glass containers. In addition to the just previously mentioned producers, international glass container customers include soft drink bottlers. In the

regions where the Company has operations, it 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 sustain market share and take advantage of new opportunities and areas of growth within each customer group.

Most glass production is sold to customers under arrangements with terms varying from several months to several years which specify estimated quantities to be shipped as a percentage of the customers' total annual shipment requirements. Containers are typically scheduled for production in response to customers' orders for their quarterly requirements.

Markets and Competitive Conditions

Exclusive of the BTR Acquisition expected to close in the second quarter of 1998, the Company has glass container operations located in 18 countries. The principal markets for the Company's glass products are in the United States, Latin America and Europe. The Company has the leading market share of the glass segment of United States beer and food (including juices and teas) packaging. Excluding E & J Gallo Winery Inc., which manufactures its own containers, the Company believes it is a leading supplier of glass for wine and wine coolers. Internationally, the Company is the leading producer of glass containers in most of the geographic markets in which it is located.

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 within the U.S. market are Ball-Foster Glass Container Co., L.L.C., a wholly-owned subsidiary of Paris-based Saint-Gobain ("Ball-Foster"), and Anchor Glass Container Corporation, most of the assets of which were purchased by Canadian-based Consumers Packaging, Inc. in early 1997. The principal competitor producing glass containers outside the U.S. market is Saint-Gobain. The principal competitors producing metal containers are American National Can Company, Ball Corporation, Crown Cork & Seal Company, Inc., Reynolds Metals Company, and Silgan Corporation. In the metal container market, no one competitor is dominant. The principal competitors supplying plastic containers are Continental Plastics Containers, Inc. (a subsidiary of Continental Can Company, Inc.), Graham Packaging Co., Plastipak Packaging, Inc., and Silgan Corporation. In the plastic containers market, no one competitor is dominant.

Methods of Distribution

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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 glass container products are shipped by common carrier to customers within a 250-mile radius of a given production site. In addition to glass container manufacturing facilities, the Company operates two sand plants and three machine shops which manufacture high-productivity glass-making machines.

Domestic Glass Operations
- -------------------------
The Company has an approximate 45% share of the glass container category of the U.S. rigid packaging market. Domestically, the Company operates 22 glass container manufacturing facilities, a sand plant and two machine shops which manufacture high-productivity glass-making machines. Marketing under the trade name Owens-Brockway, the Company believes that its 1997 U.S. glass container sales were significantly higher than the sales of its nearest U.S. glass container competitor, Ball-Foster.

Unit shipments in the U.S. to brewers and food producers, including producers of juices and teas, approximated 90%, 90%, and 87% of the Company's total U.S. glass container unit shipments for 1997, 1996, and 1995, respectively.

During 1997, total glass container industry shipments within the United States rigid packaging market were slightly below 1996 shipment levels. Shipments declined in 1997 as a result of lower demand for food containers, including tea and juice bottles, partially offset by increased shipments of beer containers. The Company's share of the United States glass container market increased several percentage points during this time.

Industry capacity in North America is expected to be aligned more closely with demand. During 1997, closings of four U.S. glass container plants and one in Canada were initiated by companies operating in the U.S. glass container industry. Overall, the Company expects glass containers' share of the United States rigid packaging market to remain relatively stable compared to 1997 levels 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 and its technological leadership.

The glass container industry in the United States continues to recycle used glass containers into new glass containers. The Company is an important part of this effort and continues to melt substantial tonnage of recycled glass in its glass furnaces. The infrastructure for recycling glass also supplies recycled glass containers to producers other than those in the glass container industry for use in the manufacture of secondary products (i.e. fiberglass and roadway material manufacturers). 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 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.

International Glass Operations
- ------------------------------
The Company has added to its international operations by acquiring glass container companies with leading positions in growing or established markets, increasing capacity at selected foreign affiliates, and maintaining the global network of glass container companies that license the Company's technology. Exclusive of the BTR Acquisition expected to close in the second quarter of

1998, the Company has significant ownership positions in 19 companies located in 16 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, glass insulators, rolled glass, sheet glass and glass tableware. The Company's principal international glass affiliates are located in Latin America and Europe.

Outside of the United States, unit shipments of glass containers have grown substantially in recent years. International glass operations are benefiting from increased consumer spending power, increased privatization of industry, a favorable climate for foreign investment, and global expansion programs by major customers. The lowering of trade barriers has resulted in healthier economies, rising standards of living, and growing demand for consumer products and quality packaging in developing countries. The increasing demand for quality packaging products in developing countries, where per capita glass container consumption is low, but rising, continues to create growth opportunities. This is reinforced by the fact that in many developing countries glass has a significant cost advantage over plastic and metal containers. Technologies which have produced productivity improvements in the Company's United States Glass Container operations are also being applied to the operations of foreign affiliates. 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, which enables such operations to improve quality, increase productivity, reduce bottle weights, and decrease energy consumption. Revenues generated in countries where the Company does not have a direct ownership position may also provide a benefit to the Company in the form of royalties tied to sales volume of the Company's licensees.

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

Company/Country	Owens-Illinois Ownership
Avirunion, a.s., Czech Republic	100.0%
Karhulan Lasi Oy, Finland	100.0
Oroshaza Glass Manufacturing and Trading, Kft., Hungary	100.0
AVIR S.p.A., Italy	100.0
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
A/S Jarvakandi Klaas, Estonia	82.0
Owens-Illinois de Puerto Rico, Puerto Rico	80.0
Comphania Industrial Sao Paulo e Rio, Brazil	79.4
Vidrios Industriales, S.A., Peru	77.2
Wuhan Owens Glass Container Company, Ltd., China	70.0
Fabrica Boliviana de Vidrios, S. A., Bolivia	68.8
Cristaleria del Ecuador, S.A., Ecuador	66.8
Vidrieria Rovira, S.A., Spain	62.4
Cristaleria Peldar, S.A., Colombia	57.6
Owens-BILT Limited, India	51.0
Huta Szkla Jaroslaw S.A., Poland	49.3

As discussed in the section "General Development of Business," on March 1, 1998, the Company signed a definitive agreement to acquire the worldwide glass and plastic packaging businesses of BTR.

PLASTICS GROUP INDUSTRY SEGMENT

The Company is a leading plastic container manufacturer in the United States. The Company is the market leader in most plastic segments in which it competes. Plastic container sales represented 15%, 17%, and 16% of the Company's consolidated net sales for the years ended December 31, 1997, 1996, and 1995, respectively. The Company's Plastics Group segment is comprised of four business units.

Plastic Containers. This unit, with 22 factories, manufactures rigid, semi-rigid, flexible and multi-layer plastic containers 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, develops and produces closures and 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 products, such as deodorant canisters and toothpaste 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 in the plastic containers segment of prescription drug packaging is Kerr Group, Inc.

Label and Carrier Products. The broad line of labels produced by this unit includes polyethylene labels for in-mold labeling (IML) and laminated labels for beverage containers. The proprietary Contour-Pak plastic carrier line for bottles is also produced by this unit. This carrier line is predominantly used as six-pack and four-pack carriers for iced teas and other fruit drinks.

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 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 on both a national and regional basis. The Company competes by emphasizing total package supply (i.e. bottle, label, and closure system), diversified market positions, proprietary technology and products, new package development, and packaging innovation. The Company is 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 segments of the plastic packaging market 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, 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. Recycling content legislation, which has been enacted in several states, requires that a certain specified minimum percentage of recycled plastic be included in new plastic products. The Company has met such legislated standards in part due to its material and multilayer process technology.

The Company's Plastics Group segment currently has technical assistance agreements or cross-licenses with 18 companies in 12 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.

As discussed in the section "General Development of Business," on March 1, 1998, the Company signed a definitive agreement to acquire the worldwide glass and plastic packaging businesses of BTR.

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.

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 Group business segments such as beer 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. Major customers of the Company include such companies as Anheuser-Busch Companies, Inc., Philip Morris Companies Inc., The Procter & Gamble Company, Unilever, N.V. and other leading companies which manufacture and market a variety of consumer products.

Research and Development

Research and development constitutes an important part of the Company's activities. Research and development expenditures were $28.9 million, $31.1 million, and $30.3 million, for 1997, 1996, and 1995, respectively. Operating engineering expenditures were $29.9 million, $25.6 million, and $24.5 million for 1997, 1996, and 1995, respectively. In addition to new product development, substantial portions of the technical effort are devoted to increased process control, automatic inspection, and automation. No material amount of money was spent on customer-sponsored research activities during 1997, 1996, or 1995.

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 1997.

A number of states have enacted, or 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 states will continue to enact and develop curbside recycling and recycling content legislation.

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 1, 1998, there are nine states with mandatory deposit laws in effect.

Plastic containers have also been the subject of legislation in various states. The Company utilizes recycled plastic resin in its manufacturing processes. During 1997 and 1996, many plastic containers for products other than food, drugs, and cosmetics contained 25% post consumer resin. The Company believes it is a industry leader in such technology.

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 32,400 persons at December 31, 1997. A majority of these employees are hourly workers covered by collective bargaining agreements, the principal one of which was renewed early in 1996 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 65 - 67. Export sales, in the aggregate or by geographic area, were not material for the years 1997, 1996, or 1995.

ITEM 2. PROPERTIES

The principal manufacturing facilities and other material important physical properties of the continuing operations of the Company at December 31, 1997 are listed below and grouped by industry segment. All properties shown are owned in fee except where otherwise noted.

Glass Containers (3)
- Glass Container Plants
  - Atlanta, GA
  - Auburn, NY
  - Brockway, PA
  - Charlotte, MI
  - Chicago Heights, IL (1)
  - Clarion, PA (1)
  - Crenshaw, PA
  - Danville, VA
  - Hayward, CA
  - 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
  - La Paz, Bolivia
  - Rio de Janeiro, Brazil
  - Sao Paulo, Brazil
  - Wuhan, China
  - Envigado, Colombia
  - Zipaquira, Colombia
  - Sokolov, Czech Republic
  - Teplice, Czech Republic
  - Guayaquil, Ecuador
  - Jarvakandi, Estonia
  - Karhula, Finland
  - Oroshaza, Hungary
  - Pondicherry, India
  - Pune, India
  - Rishikesh, India
  - Asti, Italy
  - Bari, Italy (2 plants)
  - Bologna, Italy
  - Cagliari, Italy
  - Milan, Italy
  - Napoli, Italy
  - Pordenone, Italy
  - Rome, Italy
  - Terni, Italy
  - Trento, Italy
  - Treviso, Italy
  - Varese, Italy
  - Callao, Peru
  - Jaroslaw, Poland
  - Vega Alta, Puerto Rico
  - Barcelona, Spain (2 plants)
  - St. Albans, United Kingdom
  - Alloa, United Kingdom
  - Harlow, United Kingdom
  - Peasley, United Kingdom
  - Caracas, Venezuela
  - Guarenas, Venezuela
  - Valencia, Venezuela
  - Valera, Venezuela

- Flat Glass Plant
  - La Victoria, Venezuela

- Insulator Plant
  - Alessandria, Italy

- Machine Shops
  - Brockway, PA
  - Godfrey, IL
  - Manaus, Brazil

- Mold Shop
  - Napoli, Italy

- Sand Plants
  - Ione, CA (2)
  - Devilla, United Kingdom

Plastics Group (3)
- Plastic Container Plants
  - Atlanta, GA
  - Baltimore, MD
  - Belvidere, NJ
  - Charlotte, NC

Chicago, IL
Cincinnati, OH (1)
Edison, NJ
Findlay, OH
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)
Sullivan, IN
Vandalia, IL (1)
Washington, NJ (2)
Ryttyla, Finland
Mexico City, Mexico

Prescription Products Plant
Berlin, OH (1)

Label and Carrier Products Plant
Bardstown, KY (1)

Closure & Specialty Products Plants
Bridgeport, CT
Brookville, PA
Chattanooga, TN
Constantine, MI (1)
El Paso, TX (2)
Erie, PA
Franklin, IN
Hamlet, NC
Maumee, OH (2)
Waterbury, CT
Las Piedras, Puerto Rico

Mold Shop
Kansas City, MO (2)

Corporate Facilities
World Headquarters Building
Toledo, OH (2)

Levis Development Park
Perrysburg, OH

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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.
(3) Excludes facilities associated with the pending BTR Acquisition discussed on page 2.

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 59 - 63.

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, 1997.

EXECUTIVE OFFICERS OF THE REGISTRANT

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. Officers serve at the discretion of the Board of Directors.

Name and Age	Position
Joseph H. Lemieux (67)	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 2000.
Lee A. Wesselmann (62)	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 1998.
R. Scott Trumbull (49)	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.
Thomas L. Young (54)	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
John Bachey (49)	Vice President and Managing Director of United Glass since 1997; Vice President of Glass Container Sales and Marketing, 1996-1997; Vice President and General Manager, West Coast, 1993-1996.
Russell C. Berkoben (56)	Vice President and General Manager of Plastics Group since 1997; Vice President and General Manager of Plastic Containers Operations since 1991; Vice President and Plastic Container Business Unit Manager, 1985-1991.
Larry A. Griffith (52)	Vice President of International Operations since 1997; Vice President and Chief Information Officer since 1996; General Manager of Plastic Components Operations, 1996-1997; Vice President since 1990; General Manager of Kimble, 1992-1995; Vice President of Corporate Staff and Director of Corporate Planning, 1988-1990.
John L. Hodges (58).	Vice President and Technical Director since 1996; Vice President and General Manager of Glass Container Operations, 1993-1996; Vice President of Glass Container Sales and Marketing, 1991-1993; Vice President of Glass Container Manufacturing, 1984-1991.
W. Bruce Larsen (44)	Vice President since 1997; Vice President and Director of Manufacturing, Plastic Containers, since 1993.

Gerald J. Lemieux (40)	Vice President and General Manager of Domestic Glass Container since 1997; Vice President, Domestic Glass Container Finance and Administration, 1992-1997.
Michael D. McDaniel (49)	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.

Name and Age	Position
Philip McWeeny (58).	Vice President and General Counsel - Corporate since 1988.
Robert A. Smith (56)	Vice President of International Operations since 1997; Vice President of Glass Container Manufacturing, 1993-1997; Vice President and General Manager, West Coast, 1990-1993; Vice President and Area Manufacturing Manager, 1986-1990.
David G. Van Hooser (51)	Senior Vice President and Director of Corporate Strategy since 1996; Vice President and General Manager of Plastic Components Operations, 1994-1996; 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:

	1997		1996	
	High	Low	High	Low
First Quarter	27-1/8	21-1/2	17-1/8	13 5/8
Second Quarter	34	23-3/8	16-3/4	15-1/8
Third Quarter	37-1/8	29-5/8	17-1/2	15-1/4
Fourth Quarter	38-3/8	29-3/4	22-3/4	15-1/4

On December 31, 1997, there were 1,133 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 the third paragraph of the section entitled "Long-Term Debt" on page 47.

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, 1997. 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.

	Years Ended December 31,				
	1997 (a)	1996	1995	1994	1993
	(Dollar amounts in millions)				
Consolidated operating results: .					
Net sales.	$4,658.5	$3,845.7	$3,763.2	$3,567.3	$3,535.0
Other (b).	169.9	130.5	117.8	85.6	127.1
	4,828.4	3,976.2	3,881.0	3,652.9	3,662.1
Costs and expenses:					

Manufacturing, shipping and delivery . . .	3,666.4	3,025.6	2,948.5	2,824.3	2,823.8
Research, engineering, selling, administrative and other (c)	407.0	323.9	322.9	379.1	842.8
Earnings (loss) from continuing operations before interest expense and items below.	755.0	626.7	609.6	449.5	(4.5)
Interest expense . .	302.7	302.6	299.6	278.2	290.0
Earnings (loss) from continuing operations before items below.	452.3	324.1	310.0	171.3	(294.5)
Provision (credit) for income taxes .	148.5	104.9	100.8	68.9	(113.1)
Minority share owners' interests in earnings of subsidiaries . . .	31.4	28.1	40.1	24.1	19.4
Earnings (loss) from continuing operations before extraordinary items	272.4	191.1	169.1	78.3	(200.8)
Net earnings of discontinued operations					1.4

SELECTED FINANCIAL DATA -- continued

	Years ended December 31,				
	1997 (a)	1996	1995	1994	1993
	(Dollar amounts in millions, except per share data)				
Gain on sale of discontinued operations, net of applicable income taxes . . .					217.0
Extraordinary charges from early extinguishment of debt, net of applicable income taxes	(104.5)				(12.7)
Net earnings	$ 167.9	$ 191.1	$ 169.1	$ 78.3	$ 4.9
Basic earnings (loss) per share of common stock:					
Earnings (loss) from continuing operations before extraordinary items.	$ 2.03	$ 1.58	$ 1.40	$ 0.64	$ (1.70)
Net earnings of discontinued operations . . .					0.01
Gain on sale of discontinued operations . . .					1.82
Extraordinary charges	(0.78)				(0.10)
Net earnings . . .	$ 1.25	$ 1.58	$ 1.40	$ 0.64	$ 0.03
Weighted average shares outstanding (in thousands) . .	133,597	120,276	119,343	119,005	118,978

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SELECTED FINANCIAL DATA -- continued

	Years ended December 31,				
	1997 (a)	1996	1995	1994	1993
	(Dollar amounts in millions, except per share data)				
Diluted earnings (loss) per share of common stock:					
Earnings (loss) from continuing operations before extraordinary items.	$ 2.01	$ 1.55	$ 1.37	$ 0.64	$ (1.70)
Net earnings of discontinued operations . . .					0.01
Gain on sale of discontinued operations . . .					1.82
Extraordinary charges	(0.77)				(0.10)
Net earnings . . .	$ 1.24	$ 1.55	$ 1.37	$ 0.64	$ 0.03
Weighted diluted average shares (in thousands)	135,676	123,567	123,161	122,863	

Options to purchase 11,429, 146,975, 781,290, and 1,022,548 weighted shares of common stock which were outstanding during 1997, 1996, 1995, and 1994, respectively, were not included in the computation of diluted earnings per share because the options' exercise price was greater than the average market price of the common shares and, therefore, the effect would be antidilutive.

Diluted earnings per share of common stock are equal to basic earnings per share of common stock for 1993 due to the loss from continuing operations.

SELECTED FINANCIAL DATA -- continued

	Years ended December 31,				
	1997 (a)	1996	1995	1994	1993

(Dollar amounts in millions)

Other data:					
The following are included in the results from continuing operations:					
Depreciation . . .	$ 283.5	$ 219.8	$ 188.3	$ 183.3	$ 180.0
Amortization of excess cost and intangibles. . .	55.9	46.8	44.8	45.2	40.8
Amortization of deferred finance fees (included in interest expense)	4.1	5.0	5.0	5.1	11.5
	$ 343.5	$ 271.6	$ 238.1	$ 233.6	$ 232.3
Balance sheet data (at end of period):					
Working capital. .	$ 604	$ 380	$ 328	$ 171	$ 234
Total assets . . .	6,845	6,105	5,439	5,318	4,901
Total debt	3,324	3,395	2,833	2,690	2,487
Share owners' equity	1,342	730	532	376	295

(a) Results of operations since January 1997 include the acquisition of AVIR S.p.A. For further information, see Acquisition of AVIR S.p.A., and Pro Forma Information - AVIR Acquisition on pages 42 - 43. Also during 1997, the Company implemented a refinancing plan. See Pro Forma Information - Refinancing Plan on pages 43 - 44 for additional information.

(b) Other revenues in 1997 includes a gain of $16.3 million ($16.3 million aftertax) from the sale of the remaining 49% interest in Kimble Glass in the first quarter of 1997. Other revenues in 1993 includes gains of $46.1 million ($34.6 million aftertax) from divestitures.

(c) In the first quarter of 1997, the Company recorded charges of $14.1 million ($8.7 million aftertax) principally for guarantees of certain lease obligations of a business divested several years ago. In the fourth quarter of 1995, the Company recorded a charge of $40.0 million ($24.7 million aftertax) to write down the asbestos insurance asset and a net credit of $40.0 million ($24.7 million aftertax) primarily from the reduction of previously established restructuring reserves. In the fourth quarter of 1994, the Company recorded a charge of $100.0 million ($61.7 million aftertax) to write down the asbestos insurance asset. In the fourth quarter of 1993, the Company recorded charges totaling $578.2 million ($357.0 million aftertax) principally for estimated uninsured future asbestos-related costs and costs associated with its restructuring program.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations

Comparison of 1997 with 1996

For the year ended December 31, 1997, the Company recorded earnings before extraordinary items of $272.4 million compared to net earnings of $191.1 million for 1996. Excluding the effects of the 1997 unusual items discussed below, the Company's 1997 earnings before extraordinary items of $264.8 million increased $73.7 million over 1996 net earnings of $191.1 million. The year ended 1997 includes amounts relating to: (1) the recent acquisition of AVIR S.p.A. ("AVIR"), the largest manufacturer of glass containers in Italy and (2) certain assets of Anchor Glass Container Corporation acquired on February 5, 1997 ("Anchor Assets"). Consolidated segment operating profit, excluding the 1997 unusual items, was $711.3 million in 1997, an increase of $122.1 million, or 20.7%, compared to 1996. The increase reflects higher operating profit for both the Glass Containers segment and the Plastics Group segment, along with lower retained costs. The Company's effective tax rate, excluding the effect of the gain on the sale of the interest in Kimble Glass discussed below, increased to 34.1% for 1997 compared with 32.4% for 1996. The higher statutory tax rate in Italy was the primary reason for the increase. Net earnings of $167.9 million for 1997 reflect $104.5 million of extraordinary charges from the early extinguishment of debt.

Capsule segment results (in millions of dollars) for 1997 and 1996 are as follows (a):

Net sales to unaffiliated customers	1997	1996
Glass Containers	$3,528.4	$2,783.3
Plastics Group	1,128.6	1,060.7
Other	1.5	1.7
Consolidated total	$4,658.5	$3,845.7

Operating profit	1997	1996
Glass Containers	$ 525.2	$ 424.5
Plastics Group	188.7	172.1
Eliminations and other retained costs (b)	(.4)	(7.4)
Consolidated total	$ 713.5	$ 589.2

(a) See Segment Information included on pages 65 - 67.

(b) Operating profit for 1997 includes: (1) a gain of $16.3 million on the sale of the remaining 49% interest in Kimble Glass; and (2) charges of

$14.1 million principally for the estimated cost of guaranteed lease obligations of a previously divested business. These items were recorded in the first quarter of 1997.

Consolidated net sales for 1997 increased $812.8 million, or 21.1%, over the prior year. Net sales of the Glass Containers segment increased $745.1 million, or 26.8%, over 1996. The combined U.S. dollar sales of the segment's foreign affiliates increased over the prior year, reflecting the recent acquisition of AVIR (which contributed approximately $524 million to 1997 U.S. dollar sales), improved pricing in Venezuela and increased unit shipments at several other affiliates, particularly in Colombia and the United Kingdom. Domestically, glass container unit shipments increased over prior year, reflecting additional business gained through the acquisition of the Anchor Assets and increased shipments in most end uses. Net sales of the Plastics Group segment increased $67.9 million, or 6.4%, over 1996. Increased shipments of plastic containers for personal care items such as hair care, skin care, and body wash products, along with increased demand for prescription containers, contributed to the increase.

Consolidated operating profit for 1997, excluding the 1997 unusual items discussed below, increased $122.1 million, or 20.7%, to $711.3 million from 1996 operating profit of $589.2 million. Consolidated operating profit, exclusive of the 1997 unusual items, was 15.3% of net sales for both 1997 and 1996. Consolidated operating expense (consisting of selling and administrative, engineering, and research and development expenses) as a percentage of net sales was 6.3% in 1997 compared to 6.4% in 1996. The operating profit of the Glass Containers segment increased $100.7 million to $525.2 million, compared to $424.5 million in 1996. The combined U.S. dollar operating profit of the segment's foreign affiliates increased from 1996. AVIR contributed approximately $71 million to 1997 U.S. dollar operating profit. Improved results at the segment's affiliates in Venezuela, Colombia, and the United Kingdom more than offset the effects of reduced export shipments from Hungary and soft market conditions in Brazil. Domestically, operating profit of the Glass Containers segment increased from 1996. Operating profit for 1997 benefited from increased sales volume in most end uses, along with the incremental business gained through the acquisition of the Anchor Assets. The operating profit of the Plastics Group segment increased $16.6 million, or 9.6%, compared to 1996. The increase resulted from improved manufacturing performance and increased unit shipments in most businesses, particularly plastic containers for personal care items. Other retained costs, excluding the 1997 unusual items discussed below, were $2.6 million for 1997 compared to $7.4 million for 1996, reflecting higher net financial services income.

The 1997 results include the following unusual items: (1) a gain of $16.3 million ($16.3 million aftertax) on the sale of the Company's remaining 49% interest in Kimble Glass; and (2) charges of $14.1 million ($8.7 million aftertax) principally for the estimated cost of guaranteed lease obligations of a previously divested business. These items were recorded in the first quarter of 1997.

Because of historically high rates of inflation in Brazil, the Company has used the U.S. dollar as the functional currency for translation of its

Brazilian operations. As a result of recent reductions in the reported Brazilian inflation rate, the applicable financial accounting standards require the Company to use the Brazilian currency as the functional currency beginning in 1998. The Company believes this change will not have a material effect on its consolidated financial statements.

Comparison of 1996 with 1995

For the year ended December 31, 1996, the Company recorded net earnings of $191.1 million, an increase of $22.0 million, or 13.0%, over 1995 net earnings of $169.1 million. Consolidated segment operating profit was $589.2 million in 1996 compared to $565.5 million in 1995. Excluding the effects of the 1995 unusual items described below, the increase was attributable to the Company's domestic glass and plastics group operations, which more than offset lower operating profit for the Company's international glass operations. Interest expense, net of interest income, increased $10.4 million due in part to lower interest income as a result of reduced levels of cash available for temporary investment. The decrease in foreign net earnings, particularly for the Brazilian and Venezuelan subsidiaries, also resulted in a decrease in minority share owners' interests in earnings of subsidiaries.

Capsule segment results (in millions of dollars) for 1996 and 1995 were as follows (a):

Net sales to unaffiliated customers	1996	1995
Glass Containers	$2,783.3	$2,744.0
Plastics Group	1,060.7	1,017.7
Other	1.7	1.5
Consolidated total	$3,845.7	$3,763.2

Operating profit	1996	1995 (b)
Glass Containers	$ 424.5	$ 482.7
Plastics Group	172.1	137.4
Eliminations and other retained costs	(7.4)	(54.6)
Consolidated total	$ 589.2	$ 565.5

(a) See Segment Information included on pages 65 - 67.

(b) Includes a charge of $40.0 million to write down the asbestos insurance asset and a net credit of $40.0 million primarily from the reduction of previously established restructuring reserves. These items increased (decreased) operating profit as follows: Glass Containers, $45.1 million; Plastics Group $(5.1) million; and other retained costs $(40.0) million.

Consolidated net sales for 1996 increased $82.5 million, or 2.2%, over the prior year. Net sales of the Glass Containers segment increased $39.3 million, or 1.4%, over 1995. The combined U.S. dollar sales of the segment's foreign affiliates increased over the prior year, reflecting higher unit shipments by several of the foreign affiliates. The inclusion of glass container operations in Hungary, Finland, and Estonia, acquired in late 1995, more than offset lower unit shipments in Brazil, Venezuela and India and the effects of devaluations of the Venezuelan currency in late 1995 and early 1996. Domestically, glass container unit shipments were slightly below prior year levels due in part to the absence in 1996 of sales of soft drink bottles as a result of the conversion from glass to plastic containers. For the

Company, this conversion is completed but has affected 1996 comparisons to prior year periods. As a result of obtaining additional business and increased consumer demand for premium and specialty beers, the increase in shipments to U.S. brewers more than offset the lower shipments of food containers, including iced tea and juice bottles. In the Plastics Group segment, sales increased by $43.0 million, or 4.2%, over 1995. Higher unit shipments of compression-molded and dispensing closures, plastic containers, especially containers used for personal care and health care products, along with the reported sales of the plastic container operations in Finland, acquired in late 1995, contributed to the increase. Partially offsetting were the effects of lower resin prices on pass-through arrangements with customers.

Consolidated operating profit for 1996 increased $23.7 million, or 4.2%, to $589.2 million from 1995 operating profit of $565.5 million. Consolidated operating profit was 15.3% of net sales in 1996 compared to 15.0% in 1995. Consolidated operating expense as a percentage of net sales was 6.4% in both 1996 and 1995. Operating profit of the Glass Containers segment was $424.5 million, a decrease of $13.1 million, or 3.0%, from 1995, excluding the 1995 unusual item discussed below. Domestically, operating profit increased over 1995 as a result of an improved cost structure, which more than offset the effects of inflation and slightly lower unit pricing in some product lines. Internationally, record results were achieved in the United Kingdom and Poland, and positive contributions were reported from the recently acquired glass container operations in Hungary, Finland and Estonia. Despite this, however, U.S. dollar operating profit for the international operations was lower in 1996 compared to 1995 due to soft market conditions in Brazil and Venezuela and currency devaluations in Venezuela in late 1995 and early 1996. Operating profit of the Plastics Group segment was $172.1 million, an increase of $29.6 million, or 20.8%, from 1995, excluding the 1995 unusual item discussed below. The majority of the increase resulted from higher unit shipments in most businesses. Additionally, improved manufacturing performance, the restructuring of the labels and carriers business, and a consolidation of manufacturing capacity in the specialty products business contributed to the increase. Other retained costs were $7.4 million in 1996 compared to $14.6 million in 1995, excluding the 1995 unusual item discussed below, reflecting higher net financial services income.

In December 1995, the Company reached settlements involving all remaining insurance coverage limits (81% of original limits) in the asbestos-related litigation. As a result of the settlement agreements, the Company recorded a charge of $40.0 million ($24.7 million aftertax) in the fourth quarter of 1995

to write down the asbestos insurance asset to the approximate coverage amounts expected to be received. For additional information, see Capital Resources and Liquidity below and Contingencies on pages 59 - 63.

In the fourth quarter of 1995, the Company also recorded an unusual net credit of $40.0 million ($24.7 million aftertax), related primarily to the reduction of previously established restructuring reserves. Included in the net credit of $40.0 million is a charge of $5.1 million for the restructuring of the Company's labels and carriers business.

Capital Resources and Liquidity

The Company's total debt at December 31, 1997, was $3.32 billion compared to $3.39 billion at December 31, 1996.

At December 31, 1997, the Company had available credit totaling $3 billion under an agreement with a group of banks ("Bank Credit Agreement"), expiring in December 2001. At December 31, 1997, the Company had unused credit available under the Bank Credit Agreement of $741.0 million. At December 31, 1996, total commitments under the Company's previous credit facility were $1.8 billion of which $628.7 million of credit had not been utilized. The increased utilization of the Bank Credit Agreement resulted in large part from implementation of the refinancing plan, as discussed in the following paragraph, and expenditures related to the acquisition of the Anchor Assets. Utilization was also higher as a result of borrowings for capital expenditures, partially offset by proceeds received from the sale of the Company's remaining 49% interest in Kimble Glass and cash provided by operations. Cash provided by operating activities was $445.2 million in 1997 compared to $317.8 million in 1996. Capital expenditures for property, plant and equipment were $471.3 million in 1997 and $388.4 million in 1996.

During the second quarter of 1997, the Company filed a universal shelf registration statement with the Securities and Exchange Commission (the "Commission") for offerings of up to $2.5 billion of debt securities, common stock, or both from time to time as market conditions permit. On May 16, 1997, the Company completed the offerings of: (1) 14,750,000 shares of common stock at a public offering price of $28.50 per share; (2) $300 million aggregate principal amount of 7.85% Senior Notes due May 15, 2004; and (3) $300 million aggregate principal amount of 8.10% Senior Notes due May 15, 2007. On May 23, 1997, the Company used the proceeds from these offerings in addition to borrowings under the Company's Bank Credit Agreement to purchase $957.4 million aggregate principal amount of the 11% Senior Debentures due 2003, which represents more than 95% of the aggregate principal amount of these securities outstanding, pursuant to a tender offer and consent solicitation for such securities. Total consideration for each $1,000 principal amount of the 11% Senior Debentures redeemed on May 23, 1997 was $1,115.60, which included a $20 payment for consents to amendments to the related indenture. On June 13, 1997, the Company issued an additional 2,186,100 shares of common stock pursuant to the partial exercise of the underwriters' overallotment option. On June 16, 1997, the Company redeemed all $250 million aggregate principal amount of the 10.25% Senior Subordinated Notes due 1999, at 100% of principal amount, and all $150 million aggregate principal amount

of the 10.50% Senior Subordinated Notes due 2002, at 105.25% of principal amount. The June 16, 1997, redemptions were funded by proceeds received from the June 13, 1997, issuance of common stock and borrowings under the Company's Bank Credit Agreement. On August 1, 1997, the Company redeemed all $250 million aggregate principal amount of the 10% Senior Subordinated Notes due 2002, at 105% of principal amount. On August 15, 1997, the Company redeemed all $200 million aggregate principal amount of the 9.75% Senior Subordinated Notes due 2004, at 104.875% of principal amount. On October 15, 1997, the Company redeemed all $100 million aggregate principal amount of the 9.95% Senior Subordinated Notes due 2004, at 104.975% of principal amount. These redemptions were funded by borrowings under the Company's Bank Credit Agreement. The results of all the above refinancing actions include both a reduction of indebtedness and lower overall interest rates. The favorable effect on annual interest expense amounts to approximately $80 million, based upon the 1996 pro forma calculations. See Pro Forma Information - Refinancing Plan on pages 43 - 44.

The Company anticipates that cash flow from its operations and from utilization of credit available through December 2001 under the Bank Credit Agreement will be sufficient to fund its operating and seasonal working capital needs, debt service and other obligations. The Company faces additional demands upon its liquidity for asbestos-related payments. Based on the Company's expectations regarding favorable trends which should lower its aggregate payments for lawsuits and claims and its expectation of the collection of its insurance coverage and reimbursement for such lawsuits and claims, and also based on the Company's expected operating cash flow, the Company believes that the payment of any deferred amounts of previously settled or otherwise determined lawsuits and claims, and the resolution of presently pending and anticipated future lawsuits and claims associated with asbestos, will not have a material adverse effect upon the Company's liquidity on a short-term or long-term basis.

On March 1, 1998, the Company signed a definitive agreement to acquire the worldwide glass and plastic packaging businesses of BTR Plc ("BTR") in an all cash transaction valued at approximately $3.6 billion. The acquisition is subject to the approval of BTR's shareholders and regulatory approvals. Although there can be no assurance of these approvals, the Company believes that the approvals will be obtained and that the acquisition will close in the second quarter of 1998.

The Company has secured commitments from certain banks participating in its Bank Credit Agreement to provide financing to consummate the acquisition. Following the closing, the Company plans to refinance a portion of the bank borrowings with public offerings of debt and equity securities. On March 6, 1998, the Company filed a universal shelf registration statement with the Commission for offerings of up to $4.0 billion of debt securities, preferred stock, common stock, or some combination thereof from time to time as market conditions permit. There can be no assurance as to the timing of such offerings or amount of proceeds which may be raised in connection therewith.

Year 2000

The Company uses a significant number of computer software programs and operating systems across its entire organization, including applications used in financial business systems, manufacturing, and various administrative functions. To the extent that the Company's software applications contain source code that is unable to appropriately interpret the upcoming calendar Year 2000 and beyond, modification or replacement of such applications will be necessary. The Company has initiated a review of its computer systems and programs to identify those that are not Year 2000 compliant. Key systems and programs, including those that interact with customers and suppliers, are being assessed and plans are being developed to address and implement required system and program modifications by December 31, 1999. The Company also has begun to address whether significant customers and suppliers may have Year 2000 compliance issues which will affect their interaction with the Company. In addition, following the expected closing of the acquisition of the worldwide glass and plastic packaging businesses of BTR Plc, as part of its integration activities the Company intends to extend its assessment of key systems and programs to those used in the acquired businesses. The cost of implementing required system changes is not expected to be material to the Company's consolidated financial statements. No assurance can be given, however, that all of the Company's systems, the systems of acquired businesses, and those of significant customers and suppliers, will be Year 2000 compliant and that the failure to achieve Year 2000 compliance will not have a material adverse effect on the Company's operations.

ITEM 7.(a). QUALITATIVE AND QUANTITATIVE DISCLOSURES ABOUT MARKET RISK

Market risks relating to the Company's operations result primarily from fluctuations in foreign currency exchange rates and changes in interest rates. The Company is not a party to any material derivative financial instruments.

Foreign Currency Exchange Rate Risk

An increasing portion of the Company's operations consists of manufacturing and sales activities conducted by affiliates in foreign jurisdictions. The primary foreign markets served by the Company's affiliates are in Latin America (principally Colombia, Brazil and Venezuela) and Europe (principally Italy, the United Kingdom, and Poland). In general, revenues earned and costs incurred by the Company's major foreign affiliates are denominated in their respective local currencies. Consequently, the Company's reported financial results could be affected by factors such as changes in foreign currency exchange rates or highly inflationary economic conditions in the foreign markets in which the Company's affiliates operate. When the U.S. dollar strengthens against foreign currencies, the reported dollar value of local currency operating profit generally decreases; when the U.S. dollar weakens against foreign currencies, the reported U.S. dollar value of local currency operating profit generally increases.

Subject to other business and tax considerations, the Company's strategy is to mitigate the economic effects of currency exchange rate fluctuations on that

portion of foreign currency operating profit which is expected to be remitted to the parent company or invested elsewhere. The Company's foreign affiliates generally invest their excess funds in U.S. dollars or dollar-based instruments, where such instruments are available with acceptable interest rates and terms. In those countries where the local currency is the designated functional currency, however, this strategy exposes the Company to reported losses or gains in the event the foreign currency strengthens or weakens against the U.S. dollar. The Company believes that the benefit of investing excess cash in U.S. dollars or their equivalent outweighs the risk of reporting losses or gains from currency exchange rate fluctuations. In those countries with hyper-inflationary economies, where the U.S. dollar is the designated functional currency, this investment strategy for excess funds mitigates the risk of reported losses or gains.

Because most of the Company's foreign affiliates operate within their local economic environment, the Company believes it is appropriate to finance those operations with local currency borrowings to the extent practicable. Considerations which influence the amount of such borrowings include long- and short-term business plans, tax implications, and the availability of borrowings with acceptable interest rates and terms. In those countries where the local currency is the designated functional currency, this strategy mitigates the risk of reported losses or gains in the event the foreign currency strengthens or weakens against the U.S. dollar. In those countries where the U.S. dollar is the designated functional currency, however, local currency borrowings expose the Company to reported losses or gains in the event the foreign currency strengthens or weakens against the U.S. dollar. As of December 31, 1997, the portion of the Company's consolidated debt which was denominated in a foreign currency was not significant.

The Company believes it does not have material foreign currency exchange rate risk related to the financial instruments (i.e. cash, short-term investments, and long-term debt) of its foreign affiliates.

Interest Rate Risk

The Company's interest expense is most sensitive to changes in the general level of U.S. interest rates applicable to its U.S. dollar indebtedness. To mitigate the impact of fluctuations in variable interest rates, the Company could, at its option, convert to fixed interest rates by either refinancing variable rate debt with fixed rate debt or entering into interest rate swaps.

The following table provides information about the Company's significant interest rate risk at December 31, 1997:

	Outstanding	Fair Value
	(Millions of dollars)	
Variable rate debt:		
Bank Credit Agreement, matures December 2001, interest at a Eurodollar based rate plus .425%	$2,175.0	$2,175.0
Fixed rate debt:		
Senior Notes:		
Due May 2004, interest at 7.85%	$ 300.0	$ 312.7
Due May 2007, interest at 8.10%	$ 300.0	$ 319.4

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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REPORT OF INDEPENDENT AUDITORS

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, 1997 and 1996, 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, 1997. 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, 1997 and 1996, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 1997, 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.

/s/ Ernst & Young LLP

Ernst & Young LLP

Toledo, Ohio
February 3, 1998
except for information in the section
entitled "Subsequent Event" on page 63,
as to which the date is
March 6, 1998

CONSOLIDATED RESULTS OF OPERATIONS Owens-Illinois, Inc.
Millions of dollars, except per share amounts

Years ended December 31,	1997	1996	1995
Revenues:			
Net sales	$4,658.5	$3,845.7	$3,763.2
Royalties and net technical assistance	21.6	23.6	26.8
Equity earnings	17.9	15.2	14.4
Interest	23.6	22.3	29.7
Other	106.8	69.4	46.9
	4,828.4	3,976.2	3,881.0
Costs and expenses:			
Manufacturing, shipping, and delivery	3,666.4	3,025.6	2,948.5
Research and development	28.9	31.1	30.3
Engineering	29.9	25.6	24.5
Selling and administrative	232.8	188.6	187.8
Interest	302.7	302.6	299.6
Other	115.4	78.6	80.3

	4,376.1	3,652.1	3,571.0
Earnings before items below	452.3	324.1	310.0
Provision for income taxes	148.5	104.9	100.8
	303.8	219.2	209.2
Minority share owners' interests in earnings of subsidiaries	31.4	28.1	40.1
Earnings before extraordinary items	272.4	191.1	169.1
Extraordinary charges from early extinguishment of debt, net of applicable income taxes	(104.5)		
Net earnings	$ 167.9	$ 191.1	$ 169.1
Basic earnings per share of common stock:			
Earnings before extraordinary items	$ 2.03	$ 1.58	$ 1.40
Extraordinary charges	(0.78)		
Net earnings	$ 1.25	$ 1.58	$ 1.40
Diluted earnings per share of common stock:			
Earnings before extraordinary items	$ 2.01	$ 1.55	$ 1.37
Extraordinary charges	(0.77)		
Net earnings	$ 1.24	$ 1.55	$ 1.37

See accompanying Statement of Significant Accounting Policies and Financial Review.

CONSOLIDATED BALANCE SHEETS Owens-Illinois, Inc.
Millions of dollars, except share amounts

December 31,	1997	1996
Assets		
Current assets:		
Cash, including time deposits of $101.6 ($97.9 in 1996)	$ 218.2	$ 160.9
Short-term investments	16.1	14.4
Receivables, less allowances of $52.9 ($40.6 in 1996) for losses and discounts	681.6	488.8
Inventories	592.4	494.6
Prepaid expenses	140.0	126.4
Total current assets	1,648.3	1,285.1
Investments and other assets:		
Investments and advances	87.7	85.6
Repair parts inventories	227.2	189.4
Prepaid pension	635.3	624.5
Insurance for asbestos-related costs	239.3	271.4
Deposits, receivables, and other assets	307.0	704.2
Excess of purchase cost over net assets acquired, net of accumulated amortization of $328.3 ($293.7 in 1996)	1,294.9	1,003.5
Total investments and other assets	2,791.4	2,878.6
Property, plant, and equipment:		
Land, at cost	143.0	103.0
Buildings and equipment, at cost:		
Buildings and building equipment	631.7	493.4
Factory machinery and equipment	2,964.0	2,624.4
Transportation, office, and miscellaneous equipment	91.9	83.8
Construction in progress	274.5	131.3
	4,105.1	3,435.9
Less accumulated depreciation	1,699.7	1,494.3

Net property, plant, and equipment	2,405.4	1,941.6
Total assets	$6,845.1	$6,105.3

CONSOLIDATED BALANCE SHEETS Owens-Illinois, Inc. (continued)
Millions of dollars, except share amounts

December 31,	1997	1996
Liabilities and Share Owners' Equity		
Current liabilities:		
Short-term loans	$ 106.8	$ 106.8
Accounts payable	452.3	318.9
Salaries and wages	86.0	78.8
U.S. and foreign income taxes	4.8	12.7
Current portion of asbestos-related liabilities	85.0	110.0
Other accrued liabilities	238.8	243.0
Long-term debt due within one year	70.1	34.7
Total current liabilities	1,043.8	904.9
Long-term debt	3,146.7	3,253.2
Deferred taxes	229.2	201.2
Nonpension postretirement benefits	354.8	371.7
Asbestos-related liabilities	59.1	138.2
Other liabilities	423.1	311.7
Commitments and contingencies		
Minority share owners' interests	246.5	194.7
Share owners' equity:		
Preferred stock	20.4	21.4
Common stock, par value $.01 per share, 250,000,000 shares authorized, 140,526,195 shares outstanding (120,446,348 in 1996)	1.4	1.2
Capital in excess of par value	1,558.4	1,047.6
Deficit	(90.3)	(258.2)
Cumulative foreign currency translation adjustment	(148.0)	(82.3)
Total share owners' equity	1,341.9	729.7
Total liabilities and share owners' equity	$6,845.1	$6,105.3

See accompanying Statement of Significant Accounting Policies and Financial Review.

CONSOLIDATED SHARE OWNERS' EQUITY Owens-Illinois, Inc.
Millions of dollars

Years ended December 31,	1997	1996	1995

Preferred stock			
Balance at beginning of year	$ 21.4	$ 21.9	$ 26.3
Exchange of preferred stock for common stock	(1.0)	(.5)	(4.4)
Balance at end of year	20.4	21.4	21.9
Common stock			
Balance at beginning of year	1.2	1.2	1.2
Issuance of common stock	.2		
Exchange of preferred stock for common stock			
Balance at end of year	1.4	1.2	1.2
Capital in excess of par value			
Balance at beginning of year	1,047.6	1,042.8	1,034.6
Issuance of common stock	509.8	4.3	3.8
Exchange of preferred stock for common stock	1.0	.5	4.4
Balance at end of year	1,558.4	1,047.6	1,042.8
Deficit			
Balance at beginning of year	(258.2)	(449.3)	(618.4)
Net earnings	167.9	191.1	169.1
Balance at end of year	(90.3)	(258.2)	(449.3)
Cumulative foreign currency translation adjustment			
Balance at beginning of year	(82.3)	(84.7)	(67.8)
Net change for the year	(65.7)	2.4	(16.9)
Balance at end of year	(148.0)	(82.3)	(84.7)
Total share owners' equity	$1,341.9	$ 729.7	$ 531.9

See accompanying Statement of Significant Accounting Policies and Financial Review.

CONSOLIDATED CASH FLOWS Owens-Illinois, Inc.

Millions of dollars

Years ended December 31,	1997	1996	1995
Operating activities:			
Earnings before extraordinary items	$ 272.4	$ 191.1	$ 169.1
Non-cash charges (credits):			
Depreciation	283.5	219.8	188.3
Amortization of deferred costs	60.0	51.8	49.8
Deferred tax provision	83.9	77.5	48.7
Asbestos-related insurance			40.0
Restructuring and other costs			(40.0)
Other	(34.9)	(10.3)	(33.7)
Dividends from equity affiliates	4.8	2.7	3.7
Change in non-current operating assets	(51.8)	(68.2)	(33.4)
Asbestos-related payments	(104.1)	(132.2)	(169.0)
Asbestos-related insurance proceeds	32.1	52.1	106.6
Reduction of non-current liabilities	(8.9)	(9.3)	(17.5)
Change in components of working capital	(91.8)	(57.2)	(60.0)
Cash provided by operating activities	445.2	317.8	252.6
Investing activities:			
Additions to property, plant and equipment	(471.3)	(388.4)	(283.6)

Acquisitions, net of cash acquired	(137.1)	(442.9)	(58.8)
Net cash proceeds from divestitures and other	57.4	9.2	8.1
Cash utilized in investing activities	(551.0)	(822.1)	(334.3)
Financing activities:			
Additions to long-term debt	1,954.1	618.7	164.3
Repayments of long-term debt	(2,106.4)	(118.7)	(81.8)
Increase (decrease) in short-term loans	(4.5)	53.6	(5.3)
Issuance of common stock	503.8	4.3	3.8
Payment of finance fees and debt retirement costs	(164.7)	(2.9)	
Issuance of subsidiaries' stock		8.5	
Cash provided by financing activities	182.3	563.5	81.0
Effect of exchange rate fluctuations on cash	(19.2)	(7.7)	.7
Increase in cash	57.3	51.5	0.0
Cash at beginning of year	160.9	109.4	109.4
Cash at end of year	$ 218.2	$ 160.9	$ 109.4

See accompanying Statement of Significant Accounting Policies and Financial Review.

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidated Statements. The consolidated financial statements of Owens-Illinois, Inc. ("Company") include the accounts of its subsidiaries. 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.

Nature of Operations. The Company is a leading manufacturer of glass container and plastic packaging products operating in two industry segments. The Company's principal product lines in the Glass Containers industry segment are glass containers for the food and beverage industries. Sales of the Glass Containers industry segment were 76% of the Company's 1997 consolidated sales. The Company has glass container operations located in eighteen countries, while the plastics packaging products operations are predominantly located in the United States. The principal markets and operations for the Company's glass products are in the United States, Latin America and Europe. The Company's principal product lines in the Plastics Group industry segment include plastic containers, plastic closures, plastic prescription containers, labels, and multipack plastic carriers for beverage containers. Major markets for the Company's plastics packaging products include the United States household products, personal care products, health care products, and food and beverage industries.

Use of Estimates. The preparation of financial statements in conformity with generally accepted accounting principles requires management of the Company to make estimates and assumptions that affect certain amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates, at which time the Company would revise its estimates accordingly. For further information on certain of the Company's significant estimates, see Contingencies on page 59.

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 material derivative financial instruments.

Inventory Valuation. The Company uses the last-in, first-out (LIFO) cost method of inventory valuation for most domestic inventories. Other 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, Venezuela and Poland operate in "highly inflationary" economies. In such cases, certain assets of these affiliates are translated at historical exchange rates and all translation adjustments are reflected in the statements of Consolidated Results of Operations.

As a result of recent reductions in the reported Brazilian inflation rate, beginning in 1998 the Company's Brazilian affiliate will no longer be considered to operate in a "highly inflationary" economy. The Company believes this change will not have a material effect on its consolidated financial statements.

New Accounting Standards. In June 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income" ("FAS No. 130"), which is required to be adopted for fiscal years beginning after December 15, 1997. FAS No. 130 requires that all items that are required to be recognized under accounting standards as components of comprehensive income be reported in a financial statement that is displayed with the same prominence as other financial statements. The Company's components of comprehensive income have historically been net earnings and foreign currency translation adjustments.

In June 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information" ("FAS No. 131"), which is effective for financial statements for periods beginning after December 15, 1997. FAS No. 131 establishes revised standards for determining an entity's operating

segments and the type and level of financial information to be presented related to such operating segments. The impact of FAS No. 131 on the Company's disclosures of operating segment information has not been determined.

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

Tabular data in millions of dollars, except share and per share amounts

Earnings Per Share. The following table sets forth the computation of basic and diluted earnings per share:

	1997	1996	1995
Numerator:			
Earnings before extraordinary items	$272.4	$191.1	$169.1
Preferred stock dividends	(1.5)	(1.5)	(1.8)
Numerator for basic earnings per share - income available to common share owners	270.9	189.6	167.4
Effect of dilutive securities - preferred stock dividends	1.5	1.5	1.8
Numerator for diluted earnings per share - income available to common share owners after assumed exchanges of preferred stock for common stock	$272.4	$191.1	$169.1

Denominator:
Denominator for basic earnings per

	1997	1996	1995
share - weighted average shares	133,596,755	120,276,223	119,343,048
Effect of dilutive securities:			
Stock options	1,131,911	1,608,327	1,345,361
Exchangeable preferred stock	947,437	1,681,981	2,472,874
Dilutive potential common shares	2,079,348	3,290,308	3,818,235
Denominator for diluted earnings per share - adjusted weighted average shares and assumed exchanges of preferred stock for common stock	135,676,103	123,566,531	123,161,283
Basic earnings per share	$2.03	$1.58	$1.40
Diluted earnings per share	$2.01	$1.55	$1.37

See "Preferred Stock" footnote for additional information regarding the exchangeable preferred stock.

Options to purchase 11,429, 146,975, and 781,290 weighted shares of common stock which were outstanding during 1997, 1996, and 1995, respectively, were not included in the computation of diluted earnings per share because the options' exercise price was greater than the average market price of the common shares and, therefore, the effect would be antidilutive.

Acquisition of AVIR S.p.A. At December 31, 1996, deposits, receivables, and other assets includes approximately $440 million of escrow funding in connection with the acquisition of AVIR S.p.A. ("AVIR"), the largest manufacturer of glass containers in Italy. On February 3, 1997, the Company completed the acquisition of 79% of AVIR. In addition to purchasing this controlling interest pursuant to an acquisition agreement, the Company acquired an additional 20% interest through public tender offers initiated during the second half of 1997. Total purchase cost for the acquisition was approximately $586 million.

The acquisition is being accounted for under the purchase method of accounting. The total purchase cost of approximately $586 million has been allocated to the tangible and identifiable intangible assets and liabilities of AVIR based upon their respective fair values. The accompanying Consolidated Results of Operations for the year ended December 31, 1997, includes eleven months of AVIR operations.

The aggregate purchase cost and its allocation to the assets and liabilities of AVIR are as follows:

Cash and short-term investments	$131.0
Other net working capital	92.3
Property, plant and equipment	359.7
Other non-current assets	59.9
Excess of purchase cost over net assets acquired	216.7
	859.6
Other long-term liabilities	(186.1)
Debt assumed	(87.9)
Aggregate purchase cost	$585.6

Pro Forma Information - AVIR Acquisition (unaudited). Had the acquisition of AVIR occurred on January 1, 1996, unaudited pro forma consolidated net sales, net earnings, and net earnings per share of common stock would have been as follows:

	Year ended December 31, 1996		
	As Reported	Effect of AVIR Acquisition	As Adjusted
Net sales	$3,845.7	$594.4	$4,440.1
Net earnings	$ 191.1	$ 15.7	$ 206.8
Basic net earnings per share of common stock	$ 1.58		$ 1.71
Diluted net earnings per share of common stock	$ 1.55		$ 1.67

The pro forma information assumes financing for the acquisition was provided by additional borrowings under the Company's Bank Credit Agreement. The pro forma data does not purport to represent what the results of operations would actually have been if the AVIR acquisition had in fact occurred on the date indicated, or to project results of operations for any future period.

Pro Forma Information - Refinancing Plan (unaudited). During the second quarter of 1997, the Company implemented a refinancing plan (the "Refinancing Plan") designed to reduce interest expense, reduce the amount of long-term debt, and improve financial flexibility. The Refinancing Plan, which was completed on October 15, 1997, included a $1.2 billion increase in the borrowing capacity under the Company's Bank Credit Agreement to a total of $3.0 billion, the sale of 16,936,100 shares of common stock, par value $.01 per share, for net proceeds of $464.2 million, the issuance of $300 million aggregate principal amount of 7.85% Senior Notes due May 15, 2004, the issuance of $300 million aggregate principal amount of 8.10% Senior Notes due May 15, 2007, and the retirement of approximately $1.9 billion of higher cost debt. The sale of the shares of common stock and the issuance of the Senior Notes were made pursuant to public offerings (the "Offerings").

The following pro forma information gives effect to the various transactions related to the Refinancing Plan as if they had occurred at the beginning of the respective periods.

	Years ended December 31,			
	1997		1996	
	As Reported	As Adjusted	As Adjusted for AVIR	As Further Adjusted
Net earnings	$272.4	$294.5	$206.8	$257.3
Basic net earnings per share of common stock	$2.03	$2.09	$1.71	$1.86
Basic weighted average shares outstanding (thousands)	133,597	139,889	120,276	137,212

Diluted net earnings per share of common stock	$2.01	$2.07	$1.67	$1.83
Diluted weighted average shares (thousands)	135,676	141,969	123,567	140,503

The pro forma amounts reflect the elimination of interest expense related to the indebtedness redeemed, additional interest expense related to the additional borrowings under the Bank Credit Agreement (using an assumed annual interest rate of 7.375%), interest on the Senior Notes, and related changes in amortization of deferred finance fees. The pro forma reduction in interest expense for the years ended December 31, 1997 and 1996, was $35.7 million and $81.8 million, respectively. The provision for income taxes was adjusted at a rate of 38.25% for all periods to reflect the reduction in interest expense. The weighted average shares have been adjusted to reflect the issuance of 16,936,100 shares pursuant to the Refinancing Plan.

The pro forma data does not purport to represent what the results of operations would actually have been if the Refinancing Plan had actually occurred on the dates indicated, or to project results of operations for any future period.

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) were as follows:

	1997	1996	1995
Decrease (increase) in current assets:			
Short-term investments	$ 1.1	$ 36.7	$ (5.5)
Receivables	(76.2)	(60.8)	21.0
Inventories	17.9	10.9	8.4
Prepaid expenses	(.2)	1.2	(8.9)
Increase (decrease) in current liabilities:			
Accounts payable and accrued liabilities	(19.7)	(19.7)	(76.6)
Salaries and wages	(4.1)	(5.8)	.2
U.S. and foreign income taxes	(10.6)	(19.7)	1.4
	$(91.8)	$(57.2)	$(60.0)

Inventories. Major classes of inventory are as follows:

	1997	1996
Finished goods	$447.3	$374.5
Work in process	9.4	4.2
Raw materials	92.5	81.2
Operating supplies	43.2	34.7
	$592.4	$494.6

If the inventories which are 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 $21.6 million and $21.7 million at December 31, 1997 and 1996, respectively.

Inventories which are valued at the lower of standard costs (which approximate average costs), average costs, or market at December 31, 1997 and 1996 were approximately $313.0 million and $210.4 million, respectively.

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

	1997	1996
At end of year:		
Equity in undistributed earnings:		
Foreign	$ 75.8	$ 65.5
Domestic	2.9	10.9
Total	$ 78.7	$ 76.4
Equity in cumulative translation adjustment	$(28.5)	$(25.0)

	1997	1996	1995
For the year:			
Equity in earnings:			
Foreign	$15.1	$12.7	$10.1
Domestic	2.8	2.5	4.3
Total	$17.9	$15.2	$14.4
Dividends received - foreign	$ 4.8	$ 2.7	$ 3.7

Summarized combined financial information for equity associates is as follows:

	1997	1996
At end of year:		
Current assets	$300.5	$386.4
Non-current assets	269.7	432.2
Total assets	570.2	818.6
Current liabilities	108.2	227.6
Other liabilities and deferred items	122.1	289.6
Total liabilities and deferred items	230.3	517.2
Net assets	$339.9	$301.4

	1997	1996	1995
For the year:			
Net sales	$670.9	$1,075.8	$1,099.0
Gross profit	$ 86.0	$ 170.0	$ 178.4
Net earnings	$ 52.8	$ 61.2	$ 56.0

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 amount 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 $185 million at December 31, 1997.

Long-Term Debt. The following table summarizes the long-term debt of the Company at December 31, 1997 and 1996:

	1997	1996
Bank Credit Agreement:		
Revolving Loans	$2,125.0	$1,105.0
Bid Rate Loans	50.0	
Senior Notes:		
7.85%, due 2004	300.0	
8.10%, due 2007	300.0	
Senior Debentures, 11%, due 1999 to 2003	42.6	1,000.0
Senior Subordinated Notes:		
10-1/4%, due 1999		250.0
10-1/2%, due 2002		150.0
10%, due 2002		250.0
9-3/4%, due 2004		200.0
9.95%, due 2004		100.0
Other	399.2	232.9
	3,216.8	3,287.9
Less amounts due within one year	70.1	34.7
Long-term debt	$3,146.7	$3,253.2

In May 1997, 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 $3.0 billion through December 31, 2001. The Agreement includes an Overdraft Account facility 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. Borrowings outstanding under Bid Rate Loans are limited to $750 million 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, 1997, the Company had unused credit available under the Bank Credit Agreement of $741.0 million.

Revolving loans bear interest, at the Company's option, at the prime rate or a Eurodollar based rate plus a margin linked to the Company's Consolidated Leverage Ratio, as defined in the Agreement. The margin is currently .425% and is limited to a range of .275% to .625%. Overdraft Account loans bear interest at the prime rate minus the facility fee percentage, defined below. The weighted average interest rate on borrowings outstanding under the Bank Credit Agreement at December 31, 1997, was 6.30%. While no compensating balances are required by the Agreement, the Company must pay a facility fee on the Revolving Loan Commitments. The facility fee, currently .20%, is limited to a range of .125% to .375%, based on changes in the Company's Consolidated Leverage Ratio. The Agreement requires the maintenance of certain financial ratios, restricts the creation of liens and incurrence of indebtedness, and restricts certain types of business activities and investments.

In April 1997, the Company filed a universal shelf registration statement with the Securities and Exchange Commission for offerings of up to $2.5 billion of debt securities, common stock, or both from time to time as market conditions permit. On May 16, 1997, pursuant to the registration statement, the Company completed the offerings of: (1) 14,750,000 shares of common stock at a public offering price of $28.50 per share; (2) $300 million aggregate principal amount of 7.85% Senior Notes due May 15, 2004; and (3) $300 million aggregate principal amount of 8.10% Senior Notes due May 15, 2007. On May 23, 1997, the Company used the proceeds from these offerings in addition to borrowings under the Company's Bank Credit Agreement to purchase $957.4 million aggregate principal amount of the 11% Senior Debentures due 2003 pursuant to a tender offer and consent solicitation for such securities. On June 13, 1997, the Company issued an additional 2,186,100 shares of common stock pursuant to the partial exercise of the underwriters' overallotment option. On June 16, 1997, the Company redeemed all $250 million aggregate principal amount of the 10.25% Senior Subordinated Notes due 1999, and all $150 million aggregate principal amount of the 10.50% Senior Subordinated Notes due 2002. The June 16, 1997, redemptions were funded by proceeds received from the June 13, 1997, issuance of common stock and borrowings under the Company's Bank Credit Agreement. On August 1, 1997, the Company redeemed all $250 million aggregate principal amount of the 10% Senior Subordinated Notes due 2002. On August 15, 1997, the Company redeemed all $200 million aggregate principal amount of the 9.75% Senior Subordinated Notes due 2004. On October 15, 1997, the Company redeemed all $100 million aggregate principal amount of 9.95% Senior Subordinated Notes due 2004. The August and October redemptions were funded by borrowings under the Company's Bank Credit Agreement.

As a result of the release of the guarantees and collateral securing the Bank Credit Agreement and the 11% Senior Debentures, the newly issued Senior Notes rank pari passu with such obligations. The Bank Credit Agreement, 11% Senior Debentures, and Senior Notes are senior in right of payment to all existing and future subordinated debt of the Company.

Under the terms of the Bank Credit Agreement, dividend payments with respect to the Company's Preferred or Common Stock and payments for redemption of shares of its Common Stock are subject to certain limitations. At December 31, 1997, the maximum allowable amount of such payments was $336.2 million.

Annual maturities for all of the Company's long-term debt through 2002 are as follows: 1998, $70.1 million; 1999, $138.2 million; 2000, $40.4 million; 2001, $2,307.9 million; and 2002, $25.3 million.

Interest paid in cash aggregated $303.8 million for 1997, $281.3 million for 1996, and $283.1 million for 1995.

Fair values at December 31, 1997, of the Company's significant fixed rate debt obligations are as follows:

	Principal Amount	Indicated Market Price	Fair Value
Senior Notes:			
7.85%	$300.0	$104.24	$312.7
8.10%	300.0	106.45	319.4

Operating Leases. Rent expense attributable to all operating leases was $57.3 million in 1997, $59.0 million in 1996, and $58.5 million in 1995. Contingent rental expense was not significant in any period presented. Minimum future rentals under operating leases are as follows: 1998, $27.6 million; 1999, $24.9 million; 2000, $21.7 million; 2001, $20.5 million; 2002, $19.6 million; and 2003 and thereafter, $67.4 million.

Foreign Currency Translation. Aggregate foreign currency exchange gains (losses) included in other costs and expenses were $(8.1) million in 1997, $.5 million in 1996, and $(10.1) million in 1995, 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 substantially offset the exchange losses.

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

	1997	1996	1995
Balance at beginning of year	$ (82.3)	$(84.7)	$(67.8)
Net effect of exchange rate fluctuations	(79.6)	(1.1)	(17.2)
Deferred income taxes	13.9	3.5	.3
Balance at end of year	$(148.0)	$(82.3)	$(84.7)

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.

As a result of recent reductions in the reported Brazilian inflation rate, beginning in 1998 the Company's Brazilian affiliate will no longer be considered to operate in a "highly inflationary" economy. The Company believes this change will not have a material effect on its consolidated financial statements.

Income Taxes. 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, 1997 and 1996 are as follows:

	1997	1996
Deferred tax assets:		
U.S. Federal tax loss carryovers	$ 164.5	$ 102.6
Other accrued liabilities	132.4	104.1
Accrued postretirement benefits	124.2	131.9
Asbestos-related liabilities	50.5	86.9
Other	92.2	68.2
Total deferred tax assets	563.8	493.7
Deferred tax liabilities:		
Property, plant and equipment	273.9	196.8
Prepaid pension costs	222.3	226.2
Insurance for asbestos-related costs	76.3	82.3
Inventory	36.5	32.4
Receivables and other assets	19.4	16.9
Other	46.6	35.9
Total deferred tax liabilities	675.0	590.5
Net deferred tax liabilities	$(111.2)	$ (96.8)

Deferred taxes are included in the Consolidated Balance Sheets at December 31, 1997 and 1996 as follows:

	1997	1996
Prepaid expenses	$ 118.0	$ 104.4
Deferred tax liabilities	(229.2)	(201.2)
Net deferred tax liabilities	$(111.2)	$ (96.8)

The provision for income taxes consists of the following:

	1997	1996	1995
Current:			
U.S. federal	$ 1.0	$ 1.5	$ 1.5
State	1.0	1.1	.8
Foreign	62.6	24.8	49.8
	64.6	27.4	52.1
Deferred:			
U.S. federal	65.8	57.9	34.7
State	7.2	9.2	6.6
Foreign	10.9	10.4	7.4
	83.9	77.5	48.7
Total:			
U.S. federal	66.8	59.4	36.2
State	8.2	10.3	7.4
Foreign	73.5	35.2	57.2
	$148.5	$104.9	$100.8

The provision for income taxes was calculated based on the following components of earnings before income taxes:

	1997	1996	1995
Domestic	$224.5	$160.9	$100.2
Foreign	227.8	163.2	209.8
	$452.3	$324.1	$310.0

Income taxes paid in cash were as follows:

	1997	1996	1995
Domestic	$ 1.9	$ .5	$ 3.1
Foreign	86.0	33.4	35.5
	$ 87.9	$ 33.9	$ 38.6

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

	1997	1996	1995
Pretax earnings at statutory U.S. Federal tax rate	$158.3	$113.4	$108.5
Increase (decrease) in provision for income taxes due to:			
Amortization of goodwill	10.6	10.5	10.5

State taxes, net of federal benefit	5.3	6.7	4.8
Foreign sales corporation and possession tax credits	(7.3)	(5.9)	(5.3)
Divestiture	(5.7)		
Nontaxable foreign earnings	(4.8)	(5.4)	(5.3)
Research and development credits	(1.5)	(.5)	(1.0)
Foreign earnings at different rates	(.6)	(8.9)	(4.9)
Equity earnings		(.9)	(2.1)
Other items	(5.8)	(4.1)	(4.4)
Provision for income taxes	$148.5	$104.9	$100.8
Effective tax rate	32.8%	32.4%	32.5%

For U.S. Federal income tax purposes, approximately $470 million of net operating loss is available as a carryover at December 31, 1997. Carryovers of the net operating loss expire beginning in 2004.

Alternative minimum tax credits and research and development credits of approximately $18 million and $5 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.

At December 31, 1997, the Company's equity in the undistributed earnings of foreign subsidiaries for which income taxes had not been provided approximated $418 million. It is not practicable to estimate the U.S. and foreign tax which would be payable should these earnings be distributed.

Preferred Stock. Preferred shares, $.01 par value, $7.00 cumulative dividend, issuable in series, at December 31, 1997 and 1996, were as follows:

	Number of Shares	
	1997	1996
Series A Exchangeable		
Authorized	75,000	75,000
Issued	65,625	65,625
Outstanding	17,099	17,099
Series B Exchangeable		
Authorized	75,000	75,000
Issued	65,625	65,625
Outstanding	55,665	65,625
Series C Exchangeable		
Authorized	150,000	150,000
Issued and outstanding	131,250	131,250

The preferred shares, all of which were issued October 30, 1992, are exchangeable for 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 $7.4 million and $6.2 million at December 31, 1997 and 1996, 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.

Stock Options. The Company has three nonqualified stock option plans: (1) 1991 Stock Option Plan for Key Employees of Owens-Illinois, Inc., (2) 1994 Stock Option Plan for Directors of Owens-Illinois, Inc. and (3) 1997 Equity Participation Plan of Owens-Illinois, Inc. No options may be exercised in whole or in part during the first year after the date granted. In general, subject to accelerated exercisability provisions related to the performance of the Company's common stock or change of control, 50% of the options become exercisable on the fifth anniversary of the date of the option grant, with the remaining 50% becoming exercisable on the sixth anniversary date of the option grant. In general, options expire the day after the tenth anniversary date of the option grant or following termination of employment.

All options have been granted at prices equal to the market price of the Company's common stock on the date granted. Accordingly, the Company recognizes no compensation expense related to the stock option plans. The Company has adopted the disclosure-only provisions of Statement of Financial

Accounting Standards (SFAS) No. 123, "Accounting for Stock-Based Compensation." If the Company had elected to recognize compensation cost based on the fair value of the options granted at grant date as allowed by SFAS No. 123, pro forma net income and earnings per share would have been as follows:

	1997	1996	1995
Net income:			
As reported	$167.9	$191.1	$169.1
Pro forma	166.3	190.6	169.0
Basic earnings per share:			
As reported	1.25	1.58	1.40
Pro forma	1.23	1.57	1.40
Diluted earnings per share:			
As reported	1.24	1.55	1.37
Pro forma	$ 1.23	$ 1.54	$ 1.37

The pro forma effect on net income is not representative of the pro forma effect on net income in future years because it does not take into consideration pro forma compensation expense related to grants made prior to 1995. Assuming similar grants in future years, the pro forma effects will not be fully reflected until 2000.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions:

	1997	1996	1995
Expected life of options	5 years	5 years	5 years
Expected stock price volatility	26.3%	27.3%	27.3%
Risk-free interest rate	6.08%	6.70%	6.03%
Expected dividend yield	0.00%	0.00%	0.00%

Stock option activity is as follows:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Fair Value

Options outstanding at December 31, 1994	5,314,400	$7.37	
Granted	528,450	13.25	$4.76
Exercised	(470,900)	5.01	
Cancelled	(40,750)	11.91	
Options outstanding at December 31, 1995	5,331,200	8.13	
Granted	552,200	16.50	$6.14
Exercised	(435,426)	6.32	
Cancelled	(73,125)	12.49	
Options outstanding at December 31, 1996	5,374,849	9.08	
Granted	1,188,787	31.73	$11.18
Exercised	(3,192,874)	6.66	
Cancelled	(28,987)	21.43	
Options outstanding at December 31, 1997	3,341,775	$19.35	
Options exercisable at:			
December 31, 1997	2,202,125	$12.99	
December 31, 1996	3,971,378	$7.34	
December 31, 1995	3,272,761	$5.56	
Shares available for option grant at:			
December 31, 1997	10,135,765		
December 31, 1996	1,295,565		
December 31, 1995	1,774,640		

The following table summarizes significant option groups outstanding at December 31, 1997, and related weighted average price and life information:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Options Outstanding	Weighted Average Remaining Contract-ual Life (in years)	Weighted Average Exercise Price	Options Exercisable	Weighted Average Exercise Price
$ 5.00 to $12.50	1,247,978	4.7	$10.89	1,247,978	$10.89
$12.51 to $16.50	917,460	8.0	$14.97	917,460	$14.97
$16.51 to $36.31	1,176,337	9.5	$31.73	36,687	$34.99
	3,341,775			2,202,125	

Pension Benefit Plans. Net credits to results of operations for all of the Company's pension plans and certain deferred compensation arrangements amounted to $40.2 million in 1997, $29.8 million in 1996, and $31.5 million in 1995.

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:

	1997	1996
Actuarial present value of benefit obligations:		
Vested	$1,722.2	$1,614.9
Nonvested	110.8	103.0
Accumulated benefit obligation	1,833.0	1,717.9
Effect of assumed benefit increases	157.6	131.6
Projected benefit obligation	1,990.6	1,849.5
Plan assets at fair value	3,103.6	2,662.1
Plan assets in excess of projected benefit obligation	1,113.0	812.6
Unrecognized prior service cost	42.7	34.9
Unrecognized net loss (gain)	(520.4)	(223.0)
Prepaid pension	$ 635.3	$ 624.5

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

	1997	1996	1995
Service cost (benefits earned during the period)	$ 25.0	$ 25.7	$ 19.7
Interest cost on projected benefit obligation	135.6	134.4	137.4
Actual return on plan assets	(627.2)	(492.7)	(504.3)
Net amortization and deferral	408.6	286.1	300.9
	$ (58.0)	$ (46.5)	$ (46.3)

The actuarial present value of benefit obligations is based on a discount rate of 7.00% for 1997 and 7.50% for 1996. 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 1997 and 1996. The expected long-term rate of return on assets was 10% for 1997, 1996 and 1995. 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, 1997, included 16,022,880 (18,966,317 at December 31, 1996) shares of the Company's common stock, government and corporate debt securities, real estate and commingled funds. During 1997, 1996 and 1995, the Company transferred $35.5 million, $35.0 million and $22.0 million, respectively, of pension plan assets to a special trust for the purpose of funding qualified current retiree health liabilities.

The Company also sponsors several defined contribution plans for all salary and hourly domestic employees. Participation is voluntary and participants' contributions are based on their compensation. The Company matches substantially all plan participants' contributions up to various limits. Company contributions to these plans amounted to $9.6 million in 1997, $7.5 million in 1996, and $7.4 million in 1995.

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.

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

	1997	1996	1995
Service cost (benefits earned during the period)	$ 2.0	$ 2.0	$ 1.6
Interest cost on accumulated postretirement benefit obligation	21.8	21.8	23.5
Net amortization and deferral	(13.0)	(13.2)	(13.7)
Net postretirement benefit cost	$ 10.8	$ 10.6	$ 11.4

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

	1997	1996
Actuarial present value of benefit obligations:		
Retirees and dependents	$259.1	$258.4
Eligible active employees	18.3	21.5
Other active employees	30.1	22.7
	307.5	302.6
Unamortized prior service credit	87.1	100.7
Unrecognized net loss	(39.8)	(31.6)
Nonpension postretirement benefits	$354.8	$371.7

Assumed health care cost inflation was based on a rate of 7.50% in 1997 and 8.00% in 1996, declining ratably to an ultimate rate of 6.00% in the year 2000. A one percentage point increase in these rates would have increased the accumulated postretirement benefit obligation at December 31, 1997 by $11.9 million and increased the net postretirement benefit cost for 1997 by $1.1 million. The assumed discount rates used in determining the accumulated postretirement benefit obligation were 7.00% and 7.50% at December 31, 1997 and 1996, respectively. Amortization included in net postretirement benefit cost is based on the average remaining service of employees.

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 $8.6 million in 1997, $7.5 million in 1996, and $7.1 million in 1995. 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, 1997, includes a gain of $16.3 million from the sale of the remaining 49% interest in Kimble Glass.

Other Costs and Expenses. Other costs and expenses for the year ended December 31, 1997, includes $14.1 million principally for guarantees of certain lease obligations of a business divested several years ago. Other costs and expenses for the year ended December 31, 1995, includes $40 million to write down the asbestos insurance asset and a net credit of $40 million primarily from the reduction of previously established restructuring reserves.

Extraordinary Charges from Early Extinguishment of Debt. During 1997, the Company used the proceeds from the Offerings along with borrowings under its Bank Credit Agreement to redeem: (1) $957.4 million aggregate principal amount of the 11% Senior Debentures due 2003, at 109.56% of the principal amount plus a $20 consent payment per debenture for consents to proposed amendments to the indenture relating to the debentures; (2) all $250 million aggregate principal amount of the 10.25% Senior Subordinated Notes due 1999, at 100% of the principal amount; (3) all $150 million aggregate principal amount of the 10.50% Senior Subordinated Notes due 2002, at 105.25% of the principal amount; (4) all $250 million aggregate principal amount of the 10% Senior Subordinated Notes due 2002, at 105% of the principal amount; (5) all $200 million aggregate principal amount of the 9.75% Senior Subordinated Notes due 2004, at 104.875% of the principal amount; and (6) all $100 million aggregate principal amount of the 9.95% Senior Subordinated Notes due 2004, at 104.975% of the principal amount. As a result, the Company recorded extraordinary charges for redemption premiums and the write-off of unamortized deferred finance fees totaling $169.2 million, net of applicable income tax effects of $64.7 million.

Contingencies. The Company was contingently liable at December 31, 1997, under guarantees of loans and lease obligations related to certain divested businesses, equity associates and other third parties in the principal amount of $18.9 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 traditional asbestos personal injury lawsuits and claims relating to such production and sale of asbestos material typically allege various theories of liability, including negligence, gross negligence and strict liability and seek compensatory and punitive damages in various amounts (herein referred to as "asbestos claims"). As of December 31, 1997, the Company estimates that it

is a named defendant in asbestos claims involving approximately 14,000 plaintiffs and claimants.

The following table shows the approximate number of plaintiffs and claimants involved in asbestos 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):

	1997	1996	1995
Pending at beginning of year	16,000	21,000	29,000
Disposed	7,000	13,000	24,000
Filed	5,000	8,000	16,000
Pending at end of year	14,000	16,000	21,000

Since receiving its first asbestos claim, the Company, as of December 31, 1997, has disposed of the asbestos claims of approximately 210,000 plaintiffs and claimants at an average indemnity payment per claim of approximately $4,200. Certain of these dispositions have included deferred payment amounts payable over periods ranging from one to seven years. Deferred payments at December 31, 1997 totaled $64.4 million and are included in the foregoing average indemnity payment per claim. The Company believes the 1995 filings were in part attributable to the efforts of claimants attempting to avoid the impact of various state "tort reform" legislative proposals.

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

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

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

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

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

Following the settlements described above, a settlement agreement (the "OIL Settlement") was reached with OIL. The OIL Settlement, which was endorsed by three mediators and approved by OIL's independent directors, called for the payment of remaining non-settled reinsurance at 78.5% of applicable reinsurance limits, increasing to 81% on approximately March 1, 1996 and accruing interest thereafter at 10% per annum.

In December 1995, the presiding judge in the United Insurance case entered a Consent Judgment settling the United Insurance case as to all remaining issues and all parties with the single exception of a broker malpractice claim asserted by the Company, which remains pending. In the Consent Judgment

Order, the presiding judge specifically found that the OIL Settlement was a

good faith and non-collusive settlement and that it was fair and reasonable as to OIL and all of OIL's non-settling reinsurers.

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

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

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

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

In January 1998, this same court granted OIL partial summary judgment barring the nonsettling OIL reinsurers' fraud claims. The nonsettling OIL reinsurers have petitioned for interlocutory appeal of this grant of partial summary judgment.

As a result of payments and commitments that have been made by reinsurers pursuant to the OIL Settlement and the earlier settlement agreements described above in the United Insurance case and certain other available insurance, the Company has to date confirmed coverage for its asbestos-related costs of approximately $308.4 million. Of the total amount confirmed to date, $270.7 million had been received through December 31, 1997; and the balance of approximately $37.7 million will be received throughout 1998 and the next several years. The remainder of the insurance asset of approximately $201.6 million relates principally to the reinsurers who have not yet paid, and continue to contest, their reinsurance obligations under the OIL Settlement. This $201.6 million asset valuation at December 31, 1997 also reflects 1994 and 1995 reductions of $100 million and $40 million, respectively, in the insurance asset valuation of $650 million established in 1993, which had been

made to reflect settlement activity and litigation developments in the United Insurance case.

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

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

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

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

Subsequent Event. On March 1, 1998, the Company signed a definitive agreement to acquire the worldwide glass and plastic packaging businesses of BTR Plc ("BTR") in an all cash transaction valued at approximately $3.6 billion. The acquisition is subject to the approval of BTR's shareholders and regulatory approvals. Although there can be no assurance of these approvals, the Company believes that the approvals will be obtained and that the acquisition will close in the second quarter of 1998.

The Company has secured commitments from certain banks participating in its Bank Credit Agreement to provide financing to consummate the acquisition. Following the closing, the Company plans to refinance a portion of the bank borrowings with public offerings of debt and equity securities. On March 6, 1998, the Company filed a universal shelf registration statement with the Securities and Exchange Commission for offerings of up to $4.0 billion of debt securities, preferred stock, common stock, or some combination thereof from time to time as market conditions permit.

The acquisition will be accounted for under the purchase method of accounting. The total purchase cost will be allocated to the tangible and identifiable intangible assets and liabilities based upon their respective fair values. The BTR packaging businesses being purchased by the Company had 1997 sales of approximately $1.5 billion.

Segment Information.

The Company has two industry segments: (1) Glass Containers; and (2) Plastics Group.

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:

	1997	1996	1995
Sales to unaffiliated customers:			
United States	$2,917.6	$2,725.2	$2,702.8
Other Western Hemisphere	643.4	576.9	636.7
Europe and Asia	1,097.5	543.6	423.7
Consolidated total	$4,658.5	$3,845.7	$3,763.2
Operating profit:			
United States (a)	$ 449.5	$ 425.4	$ 419.5
Other Western Hemisphere	117.2	98.3	151.6
Europe and Asia	146.0	74.0	50.4
Eliminations	1.3	(.9)	.1
Combined segment total	$ 714.0	$ 596.8	$ 621.6
Identifiable assets:			
United States	$3,285.7	$3,031.4	$2,952.6
Other Western Hemisphere	800.9	754.1	697.4
Europe and Asia	1,572.3	1,110.6	525.5
Eliminations	(.3)	(1.1)	(1.3)
Combined segment total	$5,658.6	$4,895.0	$4,174.2

(a) Operating profit for the United States geographic segment includes a net credit of $40.0 million in 1995 primarily from the reduction of previously established restructuring reserves.

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

	1997	1996	1995 (b)
Sales to unaffiliated customers (a):			
Glass Containers	$3,528.4	$2,783.3	$2,744.0
Plastics Group	1,128.6	1,060.7	1,017.7
Other	1.5	1.7	1.5
Consolidated total	$4,658.5	$3,845.7	$3,763.2
Operating profit:			
Glass Containers	$ 525.2	$ 424.5	$ 482.7
Plastics Group	188.7	172.1	137.4
Eliminations	.1	.2	1.5
Combined segment total	714.0	596.8	621.6
Other retained costs	(.5)	(7.6)	(56.1)
Consolidated total	713.5	589.2	565.5
Equity earnings	17.9	15.2	14.4
Interest expense (net)	(279.1)	(280.3)	(269.9)
	452.3	324.1	310.0
Reconciliation to earnings before extraordinary items:			
Provision for income taxes	(148.5)	(104.9)	(100.8)
Minority share owners' interests	(31.4)	(28.1)	(40.1)
Earnings before extraordinary items	$ 272.4	$ 191.1	$ 169.1

(a) Sales of similar products which contributed 10% or more of consolidated net sales for 1997, 1996, and 1995, and their percentage contribution in each year, respectively, are glass containers with 71%, 66%, and 66%; and plastic containers with 15%, 17%, and 16%. In 1996 and 1995, sales by both the Glass Containers and Plastics Group industry segments to one customer aggregated approximately 10% and 11%, respectively, of consolidated total sales.

(b) Operating profit for 1995 includes a charge of $40.0 million to write down the asbestos insurance asset and a net credit of $40.0 million primarily from the reduction of previously established restructuring reserves. These items increased (decreased) operating profit as follows: Glass Containers, $45.1 million; Plastics Group, $(5.1) million; and other retained costs, $(40.0) million.

	1997	1996	1995
Identifiable assets:			
Glass Containers	$4,232.0	$3,557.5	$2,880.6
Plastics Group	1,427.0	1,338.0	1,295.0
Eliminations	(.4)	(.5)	(1.4)
Combined segment total	5,658.6	4,895.0	4,174.2
Investments in and advances to associates	87.7	85.6	84.1
Corporate and other retained assets	1,098.8	1,124.7	1,180.9
Total	$6,845.1	$6,105.3	$5,439.2
Property, plant and equipment - -- capital expenditures:			
Glass Containers	$ 317.4	$ 298.1	$ 209.0

Plastics Group	119.9	88.7	67.8
Combined segment total	437.3	386.8	276.8
Corporate and other retained assets	34.0	1.6	6.8
Total	$ 471.3	$ 388.4	$ 283.6

Property, plant and equipment -- depreciation:			
Glass Containers	$ 215.1	$ 151.2	$ 125.5
Plastics Group	64.7	64.4	59.2
Combined segment total	279.8	215.6	184.7
Corporate and other retained assets	3.7	4.2	3.6
Total	$ 283.5	$ 219.8	$ 188.3

Selected Quarterly Financial Data (unaudited). The following tables present selected financial data by quarter for the years ended December 31, 1997 and 1996:

	1997 (a)				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Net sales	$1,056.3	$1,224.5	$1,239.5	$1,138.2	$4,658.5
Gross profit	$ 211.4	$ 294.8	$ 278.1	$ 207.8	$ 992.1
Earnings (loss):					
Before extraordinary items	$ 54.6	$ 86.9	$ 91.8	$ 39.1	$ 272.4
Extraordinary charges from early extinguishment of debt, net of applicable income taxes		(84.5)	(16.4)	(3.6)	(104.5)
Net earnings	$ 54.6	$ 2.4	$ 75.4	$ 35.5	$ 167.9
Earnings (loss) per share of common stock (b):					
Basic:					
Before extraordinary items	$ 0.44	$ 0.66	$ 0.65	$ 0.28	$ 2.03
Extraordinary charges		(0.64)	(0.12)	(0.03)	(0.78)
Net earnings	$ 0.44	$ 0.02	$ 0.53	$ 0.25	$ 1.25
Diluted:					
Before extraordinary items	$ 0.44	$ 0.65	$ 0.65	$ 0.27	$ 2.01
Extraordinary					

charges		(0.63)	(0.12)	(0.02)	(0.77)
Net earnings	$ 0.44	$ 0.02	$ 0.53	$ 0.25	$ 1.24

(a) In the first quarter of 1997, the Company recorded: (1) a gain of $16.3 million ($16.3 million aftertax) on the sale of the remaining 49% interest in Kimble Glass; and (2) charges of $14.1 million ($8.7 million aftertax) principally for guarantees of certain lease obligations of a business divested several years ago. The net aftertax amounts of these items was a credit of $7.6 million, or $0.06 per share on both a basic and diluted basis.

(b) Earnings per share are computed independently for each period presented. Due to the issuance of 16.9 million shares of common stock in the second quarter of 1997 and the resultant effect on average shares outstanding, per share amounts calculated on a year-to-date basis do not equal the sums of such amounts calculated separately for each quarter.

	1996				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Net sales	$905.8	$963.7	$1,014.1	$962.1	$3,845.7
Gross profit	$196.9	$226.2	$ 225.8	$171.2	$ 820.1
Net earnings	$ 39.6	$ 66.6	$ 62.0	$ 22.9	$ 191.1
Net earnings per share of common stock:					
Basic	$ 0.33	$ 0.55	$ 0.51	$ 0.19	$ 1.58
Diluted	$ 0.32	$ 0.54	$ 0.50	$ 0.19	$ 1.55

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

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

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 14 - 16.

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

PART IV

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

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

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Financial Statement Schedule	Schedule Page
For the years ended December 31, 1997, 1996, and 1995:	
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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.

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 Registrant's Registration Statement, File No. 33-43224, and incorporated herein by reference).
3.2	-- Bylaws of Owens-Illinois, Inc., as amended (filed as Exhibit 3.2 to the Registrant's Registration Statement, File No. 33-43224, and incorporated herein by reference).
3.3	-- 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 Registrant's Annual Report on Form 10-K for the year ended December 31, 1992, File No. 1-9576, and incorporated herein by reference).
4.1	-- 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 Registrant's Registration Statement, File No. 33-34825, and incorporated herein by reference).
4.2	-- Supplemental Indenture, dated as of May 9, 1997, between Owens-Illinois, Inc., the Guarantors named therein, and The Bank of New York related to the 11% Senior Debentures (filed as Exhibit 4.2 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1997, File No. 1-9576, and incorporated herein by reference).
4.3	-- Amended and Restated Credit Agreement, dated as of May 15, 1997, among Owens-Illinois, Inc., the lenders listed therein, including those named as lead managers and co-agents, The Bank of Nova Scotia, NationsBank, N.A., Bank of America National Trust and Savings Association, and Bankers Trust Company including exhibits thereto (filed as Exhibit 4.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1997, File No. 1-9576, 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 Registrant's 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 Registrant's Annual Report on Form 10-K for the year ended December 31, 1992, File No. 1-9576, and incorporated herein by reference).

S-K Item 601 No.		Document
10.3 *	--	First Amendment to Owens-Illinois, Inc. Supplemental Retirement Benefit Plan (filed as Exhibit 10.19 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1993, File No. 1-9576, and incorporated herein by reference).
10.4 *	--	Second Amendment to Owens-Illinois, Inc. Supplemental Retirement Benefit Plan (filed as Exhibit 10.4 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1995, File No. 1-9576, 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 Registrant's Annual Report on Form 10-K for the year ended December 31, 1992, File No. 1-9576, 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 Registrant's Annual Report on Form 10-K for the year ended December 31, 1987, File No. 1-9576, 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 Registrant's Annual Report on Form 10-K for the year ended December 31, 1987, File No. 1-9576, 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 Registrant's Annual Report on Form 10-K for the year ended December 31, 1987, File No. 1-9576, and incorporated herein by reference).
10.9 *	--	Stock Option Plan for Directors of Owens-Illinois, Inc. (filed as Exhibit 4.3 to Registrant's Form S-8, File No. 33-57141, and incorporated herein by reference).
10.10 *	--	First Amendment to Stock Option Plan for Directors of Owens-Illinois, Inc. (filed as Exhibit 10.10 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1995, File No. 1-9576, and incorporated herein by reference).
10.11 *	--	Form of Non-Qualified Stock Option Agreement for use under the Stock Option Plan for Directors of Owens-Illinois, Inc. (filed as Exhibit 4.4 to Registrant's Form S-8, File No. 33-57141, and incorporated herein by reference).
10.12 *	--	Second Amended and Restated Stock Option Plan for Key Employees of Owens-Illinois, Inc. (filed as Exhibit 10.20 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1994, File No. 1-9576, and incorporated herein by reference).
10.13 *	--	First Amendment to Second Amended and Restated Stock Option Plan for Key Employees of Owens-Illinois, Inc. (filed as Exhibit 10.13 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1995, File No. 1-9576, and incorporated herein by reference).

S-K Item 601 No.		Document
10.14 *	--	Second Amendment to Second Amended and Restated Stock Option Plan for Key Employees of Owens-Illinois, Inc. (filed as Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1997, File No. 1-9576, and incorporated herein by reference).
10.15 *	--	Form of Non-Qualified Stock Option Agreement for use under the Amended and Restated Stock Option Plan for Key Employees of

Owens-Illinois, Inc. (filed as Exhibit 10.21 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1994, File No. 1-9576, and incorporated herein by reference).

10.16 * -- Form of First Amendment to Subscription Agreement between Owens-Illinois, Inc. and Robert J. Lanigan (filed as Exhibit 10.19 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1990, File No. 1-9576, and incorporated herein by reference).

10.17 * -- Form of Non-Qualified Stock Option Agreement between Owens-Illinois, Inc., and Robert J. Lanigan (filed as Exhibit 10.21 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1990, File No. 1-9576, and incorporated herein by reference).

10.18 * -- 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 Registrant's Annual Report on Form 10-K for the year ended December 31, 1990, File No. 1-9576, and incorporated herein by reference).

10.19 * -- Amended and Restated Owens-Illinois, Inc. Senior Management Incentive Plan (filed as Exhibit 10.15 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1993, File No. 1-9576, and incorporated herein by reference).

10.20 * -- First Amendment to Amended and Restated Owens-Illinois, Inc. Senior Management Incentive Plan (filed as Exhibit 10.19 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1995, File No. 1-9576, and incorporated herein by reference).

10.21 * -- Second Amendment to Amended and Restated Owens-Illinois, Inc. Senior Management Incentive Plan (filed as Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1997, File No. 1-9576, and incorporated herein by reference).

10.22 * -- Third Amendment to Amended and Restated Owens-Illinois, Inc. Senior Management Incentive Plan (filed as Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1997, File No. 1-9576, and incorporated herein by reference).

S-K Item 601 No.	Document
10.23 *	-- Amended and Restated Owens-Illinois, Inc. Performance Award Plan (filed as Exhibit 10.16 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1993, File No. 1-9576, and incorporated herein by reference).
10.24 *	-- First Amendment to Amended and Restated Owens-Illinois, Inc. Performance Award Plan (filed as Exhibit 10.4 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1997, File No. 1-9576, and incorporated herein by reference).
10.25 *	-- Owens-Illinois, Inc. Corporate Officers Deferred Compensation Plan (filed as Exhibit 10.17 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1993, File No. 1-9576, and incorporated herein by reference).
10.26 *	-- First Amendment to Owens-Illinois, Inc. Corporate Officers Deferred Compensation Plan (filed as Exhibit 10.22 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1995, File No. 1-9576, and incorporated herein by reference).
10.27 *	-- Owens-Illinois, Inc. Executive Savings Plan (filed as Exhibit 10.18 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1993, File No. 1-9576, and incorporated herein by reference).
10.28 *	-- First Amendment to Owens-Illinois, Inc. Executive Savings Plan (filed as Exhibit 10.24 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1995, File No. 1-9576, and incorporated herein by reference).
10.29 *	-- Second Amendment to Owens-Illinois, Inc. Executive Savings Plan

	(filed as Exhibit 10.25 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1995, File No. 1-9576, and incorporated herein by reference).
10.30 *	-- Third Amendment to Owens-Illinois, Inc. Executive Savings Plan (filed as Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 1997, File No. 1-9576, and incorporated herein by reference).
10.31 *	-- Owens-Illinois, Inc. Directors Deferred Compensation Plan (filed as Exhibit 10.26 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1995, File No. 1-9576, and incorporated herein by reference).
10.32 *	-- First Amendment to Owens-Illinois, Inc. Directors Deferred Compensation Plan (filed as Exhibit 10.27 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1995, File No. 1-9576, and incorporated herein by reference).
10.33 *	-- Second Amendment to Owens-Illinois, Inc. Directors Deferred Compensation Plan (filed as Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 1997, File No. 1-9576, and incorporated herein by reference).

S-K Item 601 No.	Document
10.34 *	-- 1997 Equity Participation Plan of Owens-Illinois, Inc. (filed as Exhibit 10.5 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1997, File No. 1-9576, and incorporated herein by reference).
10.35 *	-- First Amendment to 1997 Equity Participation Plan of Owens-Illinois, Inc. (filed as Exhibit 4.2 to the Registrant's Form S-8, File No. 333-47691, and incorporated herein by reference).
10.36 *	-- Form of Non-Qualified Stock Option Agreement for use under the 1997 Equity Participation Plan of Owens-Illinois, Inc. (filed as Exhibit 4.3 to the Registrant's Form S-8, File No. 333-47691, and incorporated herein by reference).
10.37 *	-- Form of Restricted Stock Agreement for use under the 1997 Equity Participation Plan of Owens-Illinois, Inc. (filed as Exhibit 4.4 to the Registrant's Form S-8, File No. 333-47691, and incorporated herein by reference).
12	-- Computation of Ratio of Earnings to Fixed Charges and Earnings to Combined Fixed Charges and Preferred Stock Dividends (filed herewith).
21	-- Subsidiaries of the Registrant (filed herewith).
23.1	-- Consent of Independent Auditors (filed herewith).
23.2	-- Consent of McCarter & English (filed herewith).
24	-- Owens-Illinois, Inc. Power of Attorney (filed herewith).
27.1	-- Financial Data Schedule (filed herewith).
27.2-27.5	-- Restated Financial Data Schedules (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

No reports on Form 8-K were filed by the Registrant during the last quarter of 1997.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

OWENS-ILLINOIS, INC.

(Registrant)

By /s/ Thomas L. Young

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

Date: March 30, 1998

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 in the capacities and on the dates indicated.

Signature	Title
Robert J. Dineen	Director
Edward A. Gilhuly	Director
James H. Greene, Jr.	Director
Henry R. Kravis	Director

Robert J. Lanigan	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
Lee A. Wesselmann	Senior Vice President and Chief Financial Officer (Principal Financial and Accounting Officer); Director

By /s/ Thomas L. Young

Thomas L. Young
Attorney-in-fact

Date: March 30, 1998

INDEX TO FINANCIAL STATEMENT SCHEDULE

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

For the years ended December 31, 1997, 1996, and 1995:

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OWENS-ILLINOIS, INC.

SCHEDULE II -- VALUATION AND QUALIFYING ACCOUNTS (CONSOLIDATED)

Years ended December 31, 1997, 1996, and 1995
(Millions of Dollars)

Reserves deducted from assets in the balance sheets:

Allowances for losses and discounts on receivables

		Additions			
	Balance at beginning of period	Charged to costs and expenses	Other	Deductions (Note 1)	Balance at end of period
1997	$ 40.6	$ 51.3	$ 0.0	$ 39.0	$ 52.9
1996	$ 39.7	$ 38.5	$ 0.0	$ 37.6	$ 40.6
1995	$ 38.7	$ 32.4	$ 0.0	$ 31.4	$ 39.7

(1) Deductions from allowances for losses and discounts on receivables represent uncollectible notes and accounts written off.

OWENS-ILLINOIS, INC.
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
AND EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS
(Millions of dollars, except ratios)

	Years ended December 31,				
	1997	1996	1995	1994	1993
Earnings (loss) from continuing operations before income taxes, minority share owners' interests, extraordinary items and cumulative effect of accounting changes.	$452.3	$324.1	$310.0	$171.3	$(294.5)
Pretax earnings of majority-owned subsidiary not consolidated				8.7	4.3
Less: Equity earnings	(17.9)	(15.2)	(14.4)	(22.3)	(25.3)
Add: Total fixed charges deducted from earnings.	324.1	324.3	321.1	298.0	316.4
Proportional share of pre-tax earnings of 50% owned associates	2.8				18.6
Dividends received from less than 50% owned associates	4.8	2.7	3.7	2.9	4.9
Earnings available for payment of fixed charges.	$766.1	$635.9	$620.4	$458.6	$ 24.4
Fixed charges (including the Company's proportional share of 50% owned associates):					
Interest expense	$298.7	$297.6	$294.6	$273.1	$ 284.6
Portion of operating lease rental deemed to be interest	21.3	21.7	21.5	19.8	20.3
Amortization of deferred financing costs and debt discount expense	4.1	5.0	5.0	5.1	11.5
Total fixed charges deducted from earnings and total fixed charges.	$324.1	$324.3	$321.1	$298.0	$ 316.4
Preferred stock dividends (increased to assumed pre-tax amount).	2.2	2.2	2.6	3.1	3.0
Combined fixed charges and preferred stock dividends. . .	$326.3	$326.5	$323.7	$301.1	$ 319.4

OWENS-ILLINOIS, INC.
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
AND EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS
(Millions of dollars, except ratios)

	Years ended December 31,				
	1997	1996	1995	1994	1993
Ratio of earnings to fixed charges.	2.4	2.0	1.9	1.5	
Deficiency of earnings available to cover fixed charges.					$ 292.0

Ratio of earnings to combined fixed charges and preferred stock dividends.	2.3	1.9	1.9	1.5	
Deficiency of earnings available to cover combined fixed charges and preferred stock dividends.					$ 295.0

EXHIBIT 21

OWENS-ILLINOIS, INC.

SUBSIDIARIES OF THE REGISTRANT

The Registrant had the following subsidiaries at December 31, 1997 (subsidiaries are indented following their respective parent companies):

Name	State/Country of Incorporation or Organization
Owens-Illinois Group, Inc.	Delaware
OI Health Care Holding Corp.	Delaware
OI General Finance Inc.	Delaware
OI Closure FTS Inc.	Delaware
Specialty Packaging Licensing Company Limited	Delaware
Owens-Illinois Closure Inc.	Delaware
Product Design & Engineering, Inc.	Minnesota
OI Plastic Products FTS Inc.	Delaware
Owens-Illinois Prescription Products Inc.	Delaware
OI Medical Inc.	Delaware
MARC Industries, Inc.	Delaware
EntraCare Corporation	Kansas
MARC Medical Inc.	Kansas
Precision Medical Molding, Inc.	Missouri
K&M Plastics, Inc.	Kansas
Specialtiy Packaging Products de Mexico, S.A. de C.V.	Mexico
OI Medical Holdings Inc.	Delaware
Anamed International, Inc.	Nevada
Martell Medical Products, Inc.	California
Owens-BriGam Medical Company	Delaware
BriGam, Inc.	North Carolina
BriGam Medical Inc.	North Carolina
BriGam Ventures, Inc.	North Carolina
Owens-Brockway Plastic Products Inc.	Delaware
Owens-Illinois Specialty Products Puerto Rico, Inc.	Delaware
OI Regioplast STS Inc.	Delaware
Regioplast S.A. de C.V.	Mexico
Owens-Illinois Labels Inc.	Delaware
OI General FTS Inc.	Delaware
OI Castalia STS Inc.	Delaware
OI Levis Park STS Inc.	Delaware
OI AID STS Inc.	Delaware
Owens-Illinois Leasing, Inc.	Delaware
Owens-Illinois General Inc.	Delaware
Owens Insurance, Ltd.	Bermuda
OI Holding Company, Inc.	Ohio
Owens-Illinois Foreign Sales Corp.	Virgin Islands

Subsidiaries of the Registrant (continued)

Name	State/Country of Incorporation or Organization
Harbor Capital Advisors, Inc.	Delaware
HCA Securities, Inc.	Delaware
Harbor Transfer, Inc.	Delaware
Universal Materials, Inc.	Ohio
Owens-Brockway Packaging, Inc.	Delaware
OI Ione STS Inc.	Delaware
Owens-Brockway Glass Container Inc.	Delaware
Brockway Realty Inc.	Pennsylvania
Brockway Research Inc.	Delaware
OI Auburn Inc.	Delaware
Seagate, Inc.	Ohio
OIB Produvisa Inc.	Delaware
OI Consol STS Inc.	Delaware

OI Puerto Rico STS Inc.	Delaware
Owens-Illinois de Puerto Rico	Ohio
OI Venezuela STS Inc.	Delaware
Owens Brockway Venezuelan Holding, C.A.	Venezuela
Centro Vidriero de Venezuela, C.A.	Venezuela
Manufacturera de Vidrios Planos, C.A.	Venezuela
Owens-Illinois de Venezuela, C.A.	Venezuela
Fabrica de Vidrio Los Andes, C.A.	Venezuela
Owens-Illinois Ventas, S.A.	Venezuela
OI Peldar STS Inc.	Delaware
OI Latin America Inc.	Delaware
OI Ecuador STS Inc.	Delaware
Cristaleria del Ecuador, S.A.	Ecuador
OI Peru STS Inc.	Delaware
Vidrios Industriales S.A.	Peru
Bolivian Investments, Inc.	Delaware
Fabrica Boliviana de Vidrios S.A.	Bolivia
OI Brazil Inc.	Delaware
Owens-Illinois International B.V.	Netherlands
Cristaleria Peldar, S.A.	Colombia
Sao Raimundo Administracao, Participacoes e Representacoes, Limitada	Brazil
Companhia Industrial Sao Paulo e Rio	Brazil
OI Finnish Holdings Oy	Finland
Ryttylan Muovi Oy	Finland
Karhulan Lasi Oy	Finland
A/S Jarvakandi Klaas	Estonia
OI Machineworks Inc.	Delaware
O-I Europe (Machinery and Distribution) Limited	United Kingdom
OI Overseas Management Company Limited	Delaware
United Glass Group Ltd.	United Kingdom
United Glass, Limited	United Kingdom

Subsidiaries of the Registrant (continued)

Name	State/Country of Incorporation or Organization
OI Poland Inc.	Delaware
Huta Szkla Jaroslaw S.A.	Poland
OI Hungary Inc.	Delaware
Oroshaza Glass Manufacturing and Trading Kft.	Hungary
OI Italy Inc.	Delaware
OI Italy Holdings Inc.	Delaware
OI Italia S.r.l.	Italy
Orion S.p.A.	Italy
AVIR S.p.A.	Italy
Avirunion, a.s.	Czech Republic
Sonator Investments B.V.	Netherlands
Vidrieria Rovira, S.A.	Spain
OI India Inc.	Delaware
Owens-BILT Limited	India
OI China Inc.	Delaware
Wuhan-Owens Glass Container Co., Ltd.	China
OI Thailand Inc.	Delaware
OI Pacific (Machinery and Distribution) Limited	Thailand

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. 333-47519) of Owens-Illinois, Inc. and in the related Prospectus, in the Registration Statement (Form S-8 No. 33-57139) pertaining to the Amended and Restated Owens-Illinois, Inc. Stock Purchase and Savings Program and the 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., in the Registration Statement (Form S-8 No. 33-57141) pertaining to the Stock Option Plan for Directors of Owens-Illinois, Inc., and in the Registration Statement (Form S-8 No. 333-47691) pertaining to the 1997 Equity Participation Plan of Owens-Illinois, Inc. of our report dated February 3, 1998 (except for information in the section entitled "Subsequent Event" on page 63, as to which the date is March 6, 1998) 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, 1997.

/s/ Ernst & Young LLP

Ernst & Young LLP

Toledo, Ohio

March 30, 1998

EXHIBIT 23.2

CONSENT OF MCCARTER & ENGLISH, LLP

March 27, 1998

Ladies and Gentlemen:

We consent to the incorporation by reference in this Annual Report on Form 10-K of Owens-Illinois, Inc. for the year ended December 31, 1997, of the reference to our firm under the caption "Legal Proceedings."

Very truly yours,

/s/ McCarter & English, LLP

McCarter & English, LLP

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 1997 Annual Report on Form 10-K of Owens-Illinois, Inc., a corporation 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
/s/ Joseph H. Lemieux Joseph H. Lemieux	Chairman of the Board of Directors and Chief Executive Officer (Principal Executive Officer); Director	3/25/98
/s/ Lee A. Wesselmann Lee A. Wesselmann	Senior Vice President and Chief Financial Officer (Principal Financial and Accounting Officer); Director	3/25/98
/s/ Robert J. Lanigan Robert J. Lanigan	Director	3/26/98
/s/ Robert J. Dineen Robert J. Dineen	Director	3/25/98
/s/ Edward A. Gilhuly Edward A. Gilhuly	Director	3/26/98
/s/ James H. Greene, Jr. James H. Greene, Jr.	Director	3/26/98

Signature	Title	Date
/s/ Henry R. Kravis Henry R. Kravis	Director	3/26/98
Robert I. MacDonnell	Director	
/s/ John J. McMackin, Jr. John J. McMackin, Jr.	Director	3/25/98
/s/ Michael W. Michelson Michael W. Michelson	Director	3/26/98
/s/ George R. Roberts	Director	3/26/98

- -------------------------- --------

George R. Roberts

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This schedule contains summary financial information extracted from the December 31, 1997 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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<NET-INCOME>		167,900,000
<EPS-PRIMARY>		1.25
<EPS-DILUTED>		1.24

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This schedule contains summary financial information extracted from the
March 31, 1997, June 30, 1997, and September 30, 1997 condensed consoli-
dated balance sheets, and the condensed consolidated results of operations
for the three, six, and nine-month periods then ended, respectively, and
is qualified in its entirety by reference to such financial statements.
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<PERIOD-TYPE>	3-MOS	6-MOS	9-MOS
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<PERIOD-END>	MAR-31-1997	JUN-30-1997	SEP-30-1997
<CASH>	289,800,000	305,800,000	277,000,000
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<PP&E>	3,732,300,000	3,797,600,000	3,866,300,000
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<TOTAL-REVENUES>	1,116,200,000	2,373,900,000	3,653,200,000
<CGS>	844,900,000	1,774,600,000	2,736,000,000
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<INTEREST-EXPENSE>	85,900,000	167,300,000	237,100,000
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<INCOME-CONTINUING>	54,600,000	141,500,000	233,300,000
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<EXTRAORDINARY>	0	(84,500,000)	(100,900,000)
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<NET-INCOME>	54,600,000	57,000,000	132,400,000
<EPS-PRIMARY>	0.44	0.44	1.00
<EPS-DILUTED>	0.44	0.44	0.99

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This schedule contains summary financial information extracted from the December 31, 1996 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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<PP&E>		3,435,900,000
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<TOTAL-ASSETS>		6,105,300,000
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<TOTAL-LIABILITY-AND-EQUITY>		6,105,300,000
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<TOTAL-REVENUES>		3,976,200,000
<CGS>		3,025,600,000
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<EPS-PRIMARY>		1.58
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This schedule contains summary financial information extracted from the March 31, 1996, June 30, 1996, and September 30, 1996 condensed consolidated balance sheets, and the condensed consolidated results of operations for the three, six, and nine-month periods then ended, respectively, and is qualified in its entirety by reference to such financial statements.
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<PERIOD-TYPE>	3-MOS	6-MOS	9-MOS
<FISCAL-YEAR-END>	DEC-31-1996	DEC-31-1996	DEC-31-1996
<PERIOD-END>	MAR-31-1996	JUN-30-1996	SEP-30-1996
<CASH>	142,600,000	120,400,000	125,100,000
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<TOTAL-REVENUES>	936,800,000	1,932,500,000	2,975,500,000
<CGS>	708,900,000	1,446,400,000	2,234,700,000
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<EPS-DILUTED>	0.32	0.86	1.36

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This schedule contains summary financial information extracted from the
December 31, 1995 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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