OWENS ILLINOIS INC /DE/
Form DEF 14A
April 07, 2008

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

# SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No. )

Filed by the Registrant ý

Filed by a Party other than the Registrant o

Check the appropriate box:

o Preliminary Proxy Statement

o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

ý Definitive Proxy Statement

o Definitive Additional Materials

o Soliciting Material Pursuant to §240.14a-12

**OWENS-ILLINOIS, INC.**

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

ý No fee required.

o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

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# OWENS-ILLINOIS, INC.

## NOTICE AND PROXY STATEMENT

## For

**The Annual Meeting of Share Owners**

**To Be Held**

**Friday, May 9, 2008**

## YOUR VOTE IS IMPORTANT

**Please mark, date and sign the enclosed proxy card and promptly return it in the enclosed envelope.**

# OWENS-ILLINOIS, INC.

**One Michael Owens Way**
**Perrysburg, Ohio 43551**

## NOTICE OF ANNUAL MEETING OF SHARE OWNERS

Dear Owens-Illinois Share Owner:

You are cordially invited to attend the Annual Meeting of Owens-Illinois' share owners to be held on Friday, May 9, 2008, at 9:00 a.m. in Conference Room A, Plaza 2, at the O-I World Headquarters, Perrysburg, Ohio for the purpose of considering and voting upon the following matters:

1. The election of four directors, each to serve for a term of three years;
2. The ratification of the selection of Ernst & Young LLP as the Company's independent registered public accounting firm for 2008; and
3. Such other business as may properly be presented for action at the meeting or any postponement or adjournment thereof.

Enclosed is a Proxy Statement, which provides information concerning the Company and the Board of Directors' nominees for election as directors and information concerning the selection of Ernst & Young LLP as the Company's independent registered public accounting firm.

The Board of Directors fixed the close of business on March 11, 2008, as the record date for the determination of share owners owning the Company's Common Stock, par value $.01 per share, entitled to notice of, and to vote at, the Annual Meeting.

Enclosed is a proxy card, which provides you with a convenient means of voting on the matters to be considered at the meeting, whether or not you attend the meeting in person. All you need do is mark the proxy card to indicate your vote, sign and date the card, then return it in the enclosed envelope as soon as conveniently possible. If the shares are held in more than one name, all holders of record should sign the proxy card. If you desire to vote for all of the Board of Directors' nominees for election to the Board of Directors and in favor of the ratification of the selection of Ernst & Young LLP as the Company's independent registered public accounting firm for 2008, you need not mark your votes on the proxy card but need only sign and date it and return it in the enclosed envelope. As an alternative to returning the proxy card, you may choose to make use of the Internet or telephone voting options described in the enclosed Proxy Statement and on the proxy card.

Management sincerely appreciates your support. We hope to see you at the Annual Meeting.

By order of the Board of Directors,

ALBERT P. L. STROUCKEN
*Chairman of the Board*

JAMES W. BAEHREN
*Secretary*

April 4, 2008
Perrysburg, Ohio

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**OWENS-ILLINOIS, INC.**
**One Michael Owens Way**
**Perrysburg, Ohio 43551**

# PROXY STATEMENT FOR THE ANNUAL MEETING OF SHARE OWNERS
**To Be Held May 9, 2008**

The Annual Meeting of the share owners of Owens-Illinois, Inc. (herein called the "Company") will be held on Friday, May 9, 2008, at 9:00 a.m. in Conference Room A, Plaza 2, at the O-I World Headquarters, Perrysburg, Ohio. At the Annual Meeting, share owners will vote to elect four directors, each to serve a term of three years, and consider the ratification of the selection of Ernst & Young LLP as the Company's independent registered public accounting firm for 2008, as more fully described below.

This Proxy Statement has been prepared in connection with the solicitation by the Company's Board of Directors (the "Board") of proxies for the Annual Meeting and provides information concerning the persons nominated by the Board of Directors for election as directors, and other information relevant to the Annual Meeting. The Company intends to commence distribution of this Proxy Statement and the accompanying proxy card on or about April 4, 2008.

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING OF SHARE OWNERS TO BE HELD ON MAY 9, 2008**

**The Proxy Statement and the Company's 2007 Annual Report are available on the Company's website at www.o-i.com.**

## Who May Vote

You will be entitled to vote at the Annual Meeting if you are a share owner of record as of the close of business on March 11, 2008 (the "record date"). At the close of business on the record date, 158,337,909 shares of the Company's Common Stock, par value $.01 per share ("Common Stock"), were outstanding. Each share of Common Stock entitles the holder of record to one vote on all matters to be voted upon at the Annual Meeting. Shares of Common Stock held by the trustee under the Company's 401(k) plans must be voted by the trustee in accordance with written instructions from participants in such plan or, as to those shares for which no instructions are received, in a uniform manner as a single block in accordance with the instructions received with respect to the majority of shares for which instructions were received from participants. No other securities are entitled to be voted at the Annual Meeting.

## How to Vote

Shares can be voted at the Annual Meeting only if the share owner is present in person or represented by proxy. If shares are owned of record in the share owner's name, the share owner may cast a vote in one of four ways:

### *Vote by Internet*

A share owner can choose to vote shares at any time over the Internet site listed on the accompanying proxy card. The Internet site will give share owners the opportunity to provide voting instructions with respect to their shares and confirm that the instructions have been accurately recorded. If a vote is cast over the Internet site, the share owner does not need to return the proxy card.

***Vote by Telephone***

A share owner can also vote by telephone at any time by calling the toll-free number (for residents of the U.S. and Canada) listed on the proxy card. To vote, the share owner must enter the control number listed on the proxy card and follow the recorded instructions. If a vote is cast by telephone, the share owner does not need to return the proxy card.

***Vote by Mail***

If the share owner chooses to vote by mail, the share owner is required to complete, date and sign the accompanying proxy card and return it promptly in the enclosed envelope.

***Vote in Person***

A share owner can choose to vote in person at the Annual Meeting by ballot.

The telephonic and internet voting procedures are designed to authenticate votes cast by use of a personal identification number. The procedures, which the Company believes comply with Delaware law, allow share owners to appoint a proxy to vote their shares and to confirm that their instructions have been properly recorded.

Share owners who hold their shares beneficially in street name through a nominee (such as a bank or broker) may be able to vote by telephone or the Internet as well as by mail. The share owner should follow the instructions received from the nominee to vote these shares.

The proxy card lists each person nominated by the Board for election as a director. Proxies duly executed and received in time for the meeting will be voted in accordance with share owners' instructions. If no instructions are given, proxies will be voted (a) to elect four directors of the Company for a term of three years to expire at the Annual Meeting in 2011, (b) for ratification of the selection of Ernst & Young LLP as the Company's independent registered public accounting firm for 2008, and (c) in the discretion of the proxy holders as to any other business which may properly come before the meeting.

**Revocability of Proxies**

Any proxy solicited hereby may be revoked by the person or persons giving it at any time before it has been exercised at the Annual Meeting by giving notice of revocation to the Company in writing or at the 2008 Annual Meeting.

**Vote Required to Approve Matters**

A quorum is the presence at the meeting of a number of shares, which are either present or represented by proxy, constituting a majority of the outstanding shares entitled to vote at the meeting. There must be a quorum for the transaction of business at the meeting. If you submit a properly executed proxy card or a telephonic or internet proxy, or you are present at the meeting in person, even if you abstain from voting, your shares will be considered part of the quorum. Broker non-votes (shares held by a broker or nominee that are represented at the meeting, but with respect to which the broker or nominee is not empowered to vote on a proposal) are included in determining the presence of a quorum.

Directors are elected by a plurality of the shares cast at the meeting. If you do not vote for a particular nominee, or you indicate "withhold authority to vote" for a particular nominee on your proxy, your vote will not count either "for" or "against" the nominee. A "broker non-vote" will also have no effect on the outcome. Under the Company's *Corporate Governance Guidelines*, any nominee for director in an uncontested election who receives a greater number of votes "withheld" from his or her election than votes "for" such election shall tender his or her resignation for consideration by the Nominating/Corporate Governance Committee. The Nominating/Corporate Governance Committee shall recommend to the Board the actions to be taken with respect to such offer of resignation.

The affirmative vote of a majority of the shares present in person or represented by proxy and entitled to vote thereon is required to ratify the selection of Ernst & Young LLP as the Company's independent registered public accounting firm for 2008. Abstentions will have the same effect as votes "against" this proposal and "broker non-votes" will not be counted in determining whether this proposal have been approved.

**Other Matters**

Management of the Company does not know of any matter that will be presented for action at the 2008 Annual Meeting other than as described in this Proxy Statement. However, if any other matter should be properly brought to a vote at the meeting, or any adjournment or postponement thereof, all shares covered by proxies solicited hereby will be voted with respect to such matter in accordance with the proxy holders' discretion.

## PROPOSAL 1:<br>ELECTION OF DIRECTORS

**General**

The Company's Restated Certificate of Incorporation provides for a classified Board of Directors consisting of three classes as nearly equal in size as practicable. Each class holds office until the third Annual Meeting for selection of directors following the election of such class. The Board currently consists of ten members, three of whom are Class I directors whose terms expire at the 2010 Annual Meeting, four of whom are Class II directors whose terms expire at this year's Annual Meeting, and three of whom are Class III directors whose terms expire at the 2009 Annual Meeting. With the exception of Hugh H. Roberts, who was appointed to fill a vacancy on the Board in October 2007, all of the directors listed herein, including the other nominees, have served as directors since the last Annual Meeting.

**Information on Nominees and Continuing Directors**

The Board, on the recommendation of the Nominating/Corporate Governance Committee, has nominated four persons for election as Class II directors to serve for a three-year term expiring at the Annual Meeting of share owners to be held in 2011 and until their successors have been elected and qualified. The four nominees of the Board are Peter S. Hellman, Anastasia D. Kelly, John J. McMackin, Jr. and Hugh H. Roberts, each of whom is currently serving as a director of the Company. Each nominee has consented to being named in this Proxy Statement and has agreed to serve if elected. If for any reason any nominee should be unavailable to serve, proxies solicited hereby may be voted for a substitute as well as for the other Board nominees. The Board, however, expects all of its nominees to be available.

The following table provides information on the persons nominated for election to the Board and the continuing directors:

| Name, Principal Occupation and Other Directorships | Age | Term Expires at Annual Meeting in | Year Service Commenced |
|---|---|---|---|
| NOMINEES: | | | |
| Peter S. Hellman | 58 | 2008 | 2007 |
| Retired President and Chief Financial and Administrative Officer of Nordson Corporation (2004-2007) and director (2001-2007), and prior thereto, Executive Vice President and Chief Financial and Administrative Officer of Nordson Corporation (2000-2004), and prior thereto, TRW Inc. (1989-1999) in various positions, the most recent of which were President and Chief Operating Officer. Mr. Hellman is a director of Baxter International, Inc. and Qwest Communications International Inc. | | | |
| Anastasia D. Kelly | 58 | 2008 | 2002 |
| Executive Vice President, General Counsel, and Senior Regulatory and Compliance Officer of American International Group, Inc. since 2006, and, prior thereto, Executive Vice President and General Counsel of MCI (2003-2006), Senior Vice President and General Counsel of Sears, Roebuck and Co. (1999-2003) and Senior Vice President (1996-1999) and General Counsel and Secretary (1995-1999) of Fannie Mae, a financial services company. | | | |
| John J. McMackin, Jr. | 56 | 2008 | 1994 |
| Principal of the law firm of Williams & Jensen for more than five years. | | | |
| Hugh H. Roberts | 56 | 2008 | 2007 |
| Retired President, Kraft Foods International Commercial (2004-2007), where previously also served as President, Kraft Foods International Asia Pacific Region (2001-2003), and, prior thereto, President, KFI Central & Eastern Europe Middle East & Africa Region (1996-2001). | | | |
| CONTINUING DIRECTORS: | | | |
| Gary F. Colter | 62 | 2009 | 2002 |
| President of CRS Inc., a corporate restructuring and strategy management consulting company, since 2002, and, prior thereto, Vice Chairman of KPMG Canada (2000-2002), Global Managing Partner, Financial Advisory Services, of KPMG International (1998-2000) and Vice Chairman of KPMG Canada (1989-1998). Mr. Colter is a director of CIBC and Core-Mark Holding Company, Inc. | | | |

| | | | |
|---|---|---|---|
| Corbin A. McNeill, Jr. | 68 | 2009 | 2005 |
| Retired Chairman and Co-Chief Executive Officer (2000-2002) of Exelon Corporation, a natural gas and electric utility company (formed in the October 2000 merger of Peco Energy Company and Unicom Corporation), and, prior thereto Chairman, President and Chief Executive Officer (1997-1999), Director, President and Chief Executive Officer (1990-1995) and Executive Vice President  Nuclear (1988-1990) of Peco Energy Company. Mr. McNeill is a director of Ontario Power Generation, Associated Electric & Gas Insurance Services Ltd., Silver Spring Network, and as Non-Executive Chairman of the Board of Directors of Portland General Electric. Mr. McNeill serves as the Company's lead director. | | | |
| Helge H. Wehmeier | 65 | 2009 | 2005 |
| Retired Vice-Chairman of Bayer Corporation (2002-2004), and, prior thereto, President and Chief Executive Officer of Bayer Corporation (1991-2002). Mr. Wehmeier is a director of PNC Financial Services Group, Inc. and Terex Corporation. | | | |
| Albert P. L. Stroucken | 60 | 2010 | 2005 |
| President, Chairman of the Board and Chief Executive Officer of the Company since December 2006, and, prior thereto, Chairman of the Board of H.B. Fuller Company (1999-2006) and President and Chief Executive Officer of H.B. Fuller (1998-2006), and prior thereto, General Manager, Inorganics Division of Bayer AG (1997-1998), Executive Vice President and President of Industrial Chemicals Division, Bayer Corporation (1992-1997). Mr. Stroucken is a director of Baxter International, Inc. | | | |
| Dennis K. Williams | 62 | 2010 | 2005 |
| Retired Chairman of the Board of IDEX Corporation (2000-2006), where he previously also served as President and Chief Executive Officer (2000-2005), and, prior thereto, President and Chief Executive Officer of GE Power Systems Industrial Products (1998-2000). Mr. Williams is a director of AMETEK, Inc. and Actuant Corporation. | | | |
| Thomas L. Young | 64 | 2010 | 1998 |
| President, Titus Holdings Ltd., a private investment company, and, prior thereto, Executive Vice President and Chief Financial Officer of the Company, positions he held since 2004 and 2003, respectively, Co-Chief Executive Officer (2004) and Executive Vice President, Administration and General Counsel (1998-2004). Mr. Young is a director of Franklin Electric Co., Inc. | | | |

**Board Recommendation**

The Board recommends that you vote **FOR** the four nominees identified above.

**Information Concerning the Board**

The Board has the ultimate authority for the management of the Company's business. The Board selects the Company's executive officers, delegates responsibilities for the conduct of the Company's operations to those officers, and monitors their performance. Certain important functions of the Board are performed by committees comprised of members of the Board, as provided below.

***Independence***

A majority of the members of the Board are "independent" in accordance with the New York Stock Exchange listing standards. The Board has affirmatively determined that each of the following directors is an independent director of the Company under the listing standards of the New York Stock Exchange: Gary F. Colter, Peter S. Hellman, Anastasia D. Kelly, Corbin A. McNeill, Jr., Hugh H. Roberts, Helge H. Wehmeier and Dennis K. Williams. In making this determination, the Board has determined that none of these directors has any relationships with the Company other than their roles as directors.

***Attendance at Meetings by Directors***

In 2007, the Board met nine times. In connection with the meetings of the Board, the non-management directors met seven times in executive session in 2007 and the independent directors met once.

Each member of the Board attended 75% or more of the aggregate number of meetings of the Board and of committees of the Board of which such Director was a member. Attendance at Board and committee meetings during 2007 averaged 94.3% for directors as a group.

The Company does not have a policy with regard to board members' attendance at Annual Meetings, although members of the Board are encouraged to attend. All members of the board attended the 2007 Annual Meeting.

***Corporate Governance Guidelines***

The Board has adopted Corporate Governance Guidelines. A copy of the Guidelines is available on the Investor Relations section of the Company's website (www.o-i.com). A copy of the Guidelines is also available in print to share owners upon request, addressed to the Corporate Secretary at Owens-Illinois, Inc., One Michael Owens Way, Perrysburg, Ohio 43551-2999. The address of the Company's website provided above or elsewhere in the Proxy Statement is not intended to function as a hyperlink, and the contents of the Company's website are not a part of this Proxy Statement or incorporated by reference.

***Non-Management Directors***

The non-management directors meet at most regularly scheduled Board meetings in executive session without management and hold such additional executive sessions as they determine necessary or appropriate. The non-management directors met seven times in executive session in 2007. In addition, the independent directors met once in executive session in 2007. The lead director or his designee presides at these executive sessions.

***Lead Director***

The Chair of the Nominating/Corporate Governance Committee serves as the lead director. Mr. McNeill was appointed lead director effective December 8, 2006. The lead director acts as a key liaison with the chief executive officer, assists the chairman of the Board in setting the Board agenda, chairs executive sessions of the Board, and communicates board member feedback to the chief executive officer.

***Stock Ownership***

In 2005 the Board established stock ownership guidelines for its members. Each member of the Board is required to own shares of the Company's Common Stock having a value equal to five times the director's annual cash retainer. The directors have four years from the effective date of the policy or the date of joining the Board, if later, to attain the required stock ownership guideline. Until the stock ownership guidelines are met, directors are required to retain 100% of the "net profit shares" acquired from grants of restricted stock or exercises of stock options. Net profit shares are those shares remaining after payment of tax obligations.

***Communicating with the Board***

Share owners and other interested parties may contact any member (or all members) of the Board (including, without limitation, the non-management directors as a group), the lead director, any Board committee or any chair of any such committee by mail. To communicate with the Board, the lead director, any individual directors or any group or committee of directors, correspondence should be addressed to the Board of Directors or any such individual directors or group or committee of directors by either name or title. All such correspondence should be sent "c/o General Counsel/Corporate Secretary" at Owens-Illinois, Inc., One Michael Owens Way, Perrysburg, Ohio 43551-2999. All communications so received will be opened by the office of the Company's general counsel for the sole purpose of determining whether the contents represent a message to the directors. Any contents that are not in the nature of advertising, promotions of a product or service or patently offensive material will be forwarded promptly to the addressee. In the case of communications to the Board or any group or committee of directors, the general counsel's office will make sufficient copies of the contents to send to each director who is a member of the group or committee to which the envelope is addressed.

***Process for Selecting Nominees for the Board***

The Nominating/Corporate Governance Committee of the Board is responsible for identifying individuals qualified to become members of the Board and selecting, or recommending that the Board select, the candidates for all directorships to be filled by the Board or by the share owners at an annual or special meeting of share owners. In identifying candidates for membership on the Board, the Committee will take into account all factors it considers appropriate, which may include strength of character, mature judgment, career specialization, relevant technical skills, diversity and the extent to which the candidate would fill a present need on the Board. The Committee will conduct all necessary and appropriate inquiries into the backgrounds and qualifications of possible candidates and shall consider questions of independence and possible conflicts of interest of members of the Board of Directors and executive officers.

The Board currently consists of 10 members. Under the Company's Certificate of Incorporation, the maximum size of the Board is 11 members. That provision cannot be repealed or amended unless approved by the affirmative vote of holders of not less than 80% of all outstanding shares of Common Stock.

The Nominating/Corporate Governance Committee will consider potential candidates for director that have been recommended by the Company's directors, the chief executive officer, other members of senior management, and share owners. The procedures for the nomination of director candidates by share owners is described below under the heading "2009 Annual Meeting of Share Owners." Outside consultants may also be employed to help in identifying potential candidates.

Members of the Nominating/Corporate Governance Committee discuss and evaluate possible candidates in detail, and determine which individuals to explore in more depth. Once a candidate is identified whom the Nominating/Corporate Governance Committee wants to seriously consider and move toward nomination, one or more members of the Nominating/Corporate Governance Committee will enter into discussions with the candidate. The performance of incumbent members of the Board is evaluated annually by the Nominating/Corporate Governance Committee. Incumbent directors whose performance is satisfactory generally will be renominated by the Board at the end of their term. In that case, the Nominating/Corporate Governance Committee does not consider a vacancy to exist.

***Qualifications of Director Nominees***

Candidates for the Board should show evidence of leadership in their particular field, have broad business experience and the ability to exercise sound business judgment. In addition, candidates should possess the highest personal and professional ethics, integrity and values, and be committed to representing the long-term interests of the share owners. Candidates should also be willing to devote sufficient time to carrying out their duties and responsibilities effectively, and should be committed to serve on the Board for an extended period of time. Further information can be found below under the heading "Nominating/Corporate Governance Committee."

**Committees of the Board of Directors**

Subject to applicable provisions of the Company's By-Laws, the Board appoints the members of each committee. The Board may, at any time, change the authority or responsibility delegated to any committee. There are four standing committees of the Board: the Audit Committee, the Compensation Committee, the Nominating/Corporate Governance Committee and the Risk Management Committee.

***Committee Membership***

The members of the Board serving on committees of the Board and the number of meetings held in 2007 by the committees are identified below.

| Name | Audit | Compensation | Nominating/ Corporate Governance | Risk Management |
|---|---|---|---|---|
| *Independent Directors:* | | | | |
| Gary F. Colter | Chair | | X | |
| Peter S. Hellman | X | | | |
| Anastasia D. Kelly | | Chair | | |
| Corbin A. McNeill, Jr. | | X | Chair | |
| Hugh H. Roberts | | X | | |
| Helge H. Wehmeier | | | X | X |
| Dennis K. Williams | X | X | | |
| *Non-Independent Directors:* | | | | |
| John J. McMackin, Jr. | | | | X |
| Thomas L. Young | | | | Chair |
| *Employee Director:* | | | | |
| Albert P. L. Stroucken | | | | X |
| Number of Meetings in 2007 | 10 | 6 | 5 | 3 |

***Audit Committee***

The Audit Committee was established in accordance with Section 3(a)(58)(A) of the Exchange Act. It represents and assists the Board with the oversight of: (a) the integrity of the Company's financial statements and internal controls; (b) the Company's compliance with legal and regulatory requirements; (c) the independent registered public accounting firm's qualifications and independence; and (d) the performance of the Company's internal audit function and of the independent registered public accounting firm. The Audit Committee operates under a written charter adopted by the Board (the "Audit Committee Charter"), which sets forth the specific responsibilities of the Audit Committee. A copy of the Audit Committee Charter is available on the Investor Relations section of the Company's website (www.o-i.com) and in print, free of charge, to any share owner upon request addressed to the Corporate Secretary at Owens-Illinois, Inc., One Michael Owens Way, Perrysburg, Ohio 43551-2999.

All members of the Audit Committee meet the audit committee independence requirements of the New York Stock Exchange and also satisfy the enhanced independence standards applicable to audit committees pursuant to Rule 10A-3(b)(i) under the Securities Exchange Act of 1934, as amended. The Board has determined that Mr. Colter, the chair of the Committee, and Mr. Hellman are each qualified as an "audit committee financial expert" within the meaning of Securities and Exchange Commission ("SEC") regulations and that all of the Committee members meet the financial literacy requirements of the New York Stock Exchange. No member of the Audit Committee serves on the audit committee of more than three public companies.

***Compensation Committee***

The Compensation Committee assists the Board with respect to compensation of the Company's executive officers and directors. In carrying out such responsibilities, the Compensation Committee administers the Amended and Restated Stock Option Plan, the Amended and Restated 1997 Equity

Participation Plan, the 2005 Incentive Award Plan, the Incentive Bonus Plan and certain other benefit plans of the Company and makes recommendations to the Board with respect to the compensation to be paid and benefits to be provided to directors, officers and employees of the Company.

The Compensation Committee operates under a written charter adopted by the Board (the "Compensation Committee Charter"), which sets out the specific responsibilities of the Compensation Committee. A copy of the Compensation Committee Charter is available on the Investor Relations section of the Company's website (www.o-i.com) and in print, free of charge, to any share owner upon request addressed to the Corporate Secretary at Owens-Illinois, Inc., One Michael Owens Way, Perrysburg, Ohio 43551-2999.

Each member of the Compensation Committee is an "independent director" under the New York Stock Exchange listing standards.

***Nominating/Corporate Governance Committee***

The Nominating/Corporate Governance Committee assists the Board (a) in identifying individuals qualified to become directors, consistent with criteria approved by the Board, and recommending that the Board select the candidates for all directorships to be filled by share owners or the Board; (b) by developing and recommending to the Board a set of corporate governance principles applicable to the Company; (c) by overseeing the evaluation of the Board; and (d) by taking a leadership role in shaping the corporate governance of the Company.

The Nominating/Corporate Governance Committee operates under a written charter adopted by the Board (the "Nominating/Corporate Governance Committee Charter"), which sets out the specific responsibilities of the Committee. A copy of the Nominating/Corporate Governance Committee Charter is available on the Investor Relations section of the Company's website (www.o-i.com) and in print, free of charge, to share owners upon request, addressed to the Corporate Secretary at Owens-Illinois, Inc., One Michael Owens Way, Perrysburg, Ohio 43551-2999.

Each member of the Nominating/Corporate Governance Committee is an "independent director" under the New York Stock Exchange listing standards.

The Nominating/Corporate Governance Committee will accept recommendations from share owners for nominees for the Board. The procedures for submitting share owner recommendations are described below under the heading "2009 Annual Meeting of Share Owners."

***Risk Management Committee***

The Risk Management Committee assists the Board in fulfilling its responsibility to share owners, potential share owners and the investment community by (a) assessing, and providing oversight to management relating to the identification and evaluation of, major strategic, operational, regulatory, information and external risks inherent in the business of the Company (the "Risks") and the control processes with respect to the Risks; (b) overseeing the risk management, compliance and control activities of the Company; (c) overseeing the integrity of the Company's systems of operational controls regarding legal and regulatory compliance; and (d) overseeing compliance with legal and regulatory requirements, including, without limitation, with respect to the conduct of the Company's business. The Risk Management Committee does not have responsibility for matters subject to the jurisdiction of another committee of the Board pursuant to that committee's charter. Under the terms of its charter, the Risk

Management Committee (i) reviews and evaluates management's identification of all major Risks to the business and their relative weight; (ii) assesses the adequacy of management's risk assessment, its plans for risk control or mitigation, and disclosure; (iii) reviews the Company's disclosure of Risks in all filings with the SEC (including the Annual Report on Form 10-K); and (iv) together with the Audit Committee, reviews, assesses and discusses with the General Counsel, the Chief Financial Officer and the independent registered public accounting firm (A) any significant risks or exposures; (B) the steps management has taken to minimize such risks or exposures; and (C) the Company's underlying policies with respect to risk assessment and risk management.

***Code of Business Conduct and Ethics***

The Company has a Code of Business Conduct and Ethics, which is applicable to all directors, officers and employees of the Company, including the principal executive officer, the principal financial officer and the principal accounting officer. The Code of Business Conduct and Ethics is available on the Investor Relations section of the Company's website (www.o-i.com) and in print, free of charge, to share owners upon request, addressed to the Corporate Secretary at Owens-Illinois, Inc., One Michael Owens Way, Perrysburg, Ohio 43551-2999. The Company intends to post amendments to, or waivers from, its Code of Business Conduct and Ethics (to the extent applicable to the Company's directors, executive officers, principal financial officer or principal accounting officer) at this location on its website.

## DIRECTOR COMPENSATION AND OTHER INFORMATION

**Director Compensation**

For calendar year 2007, each non-management director of the Company received an annual retainer of $50,000, payable quarterly. Each non-management director also receives $2,000 for each Board meeting in which such director participated. The Chair of the Audit Committee received an additional annual retainer of $20,000, and each non-management director who served as a chair of any other Committee received an additional annual retainer of $10,000. The lead director received an annual retainer of $10,000 in addition to the annual retainer for service as chair of a Committee. Each non-management director who served as a member of a committee of the Board (including as chair) received $2,000 for each committee meeting in which such director participated. In addition, each non-management director received a grant under the 2004 Equity Incentive Plan for Directors of Owens-Illinois, Inc. of restricted stock of the Company on the day following the Annual Meeting of share owners with a value of approximately $50,000 on the date of the grant. This stock cannot be sold by any director until the later to occur of (a) three years after the date of grant, and (b) the end of the director's then current Board term. Each director was reimbursed for expenses associated with meetings of the Board or its committees.

In 2007, the Compensation Committee engaged Watson Wyatt, its compensation consultant, to conduct a competitive analysis of market pay levels for non-employee directors and to make recommendations for program changes, as appropriate. Based on data developed on the peer group of publicly-traded companies used to benchmark pay for the Company's executives and on various published survey sources, Watson Wyatt recommended to the Compensation Committee certain changes to the compensation package for non-employee directors. Based on a recommendation from the Compensation Committee, the Board approved the following compensation package for non-employee directors, effective January 1, 2008. Each non-management director of the Company receives an annual retainer of $60,000, payable quarterly. Each non-management director also receives $2,000 for each Board meeting in which such director participates. The Chair of the Audit Committee receives an additional annual retainer of $20,000, the Chair of the Compensation Committee receives an additional retainer of $15,000, and each non-management director who serves as a chair of any other Committee receives an additional annual retainer of $10,000. The lead director receives an annual retainer of $20,000 in addition to the annual retainer for service as chair of a Committee. Each non-management director who serves as a member of a committee of the Board (including as chair) receives $2,000 for each committee meeting in which such director participates. In addition, each non-management director will receive each year on the date immediately following the date of annual meeting of share owners, a grant of restricted stock units ("RSUs") under the 2004 Equity Incentive Plan for Directors of Owens-Illinois, Inc. with respect to a number of shares of Common Stock having a fair market value on the date of grant equal to $85,000, rounded up or down to nearest whole share of Common Stock. RSUs will be 100% vested on the first anniversary of date of grant ("Normal Vesting Date"), or earlier upon a director's termination of membership by reason of director's death, disability or retirement. In addition, upon a Director's termination of membership for any reason other than death, disability, retirement or for cause, RSUs will vest pro rata on a daily basis based on number of days of service in 12 month period from date of grant to normal vesting date. Any unvested RSUs are forfeited at termination of membership on the Board. Upon a director's termination of membership for cause all RSUs are immediately forfeited. Vested RSUs will be paid in shares of Common Stock, on a one for one basis, within 30 days after normal vesting date, or if earlier, within 30 days after termination of membership which constitutes a separation from service under

IRC Section 409A. Directors are not permitted to defer the receipt of payment. Each director is reimbursed for expenses associated with meetings of the Board or its committees.

The Deferred Compensation Plan for Directors of Owens-Illinois, Inc. provides an opportunity for non-management directors to defer payment of their directors' fees. Under the plan, a non-management director may defer receipt of all or any portion of the cash portion of the compensation described above. Deferrals may be credited into a cash account or into a Company stock unit account. Funds held in a cash account accrue interest at a rate equal from time to time to the average annual yield on domestic corporate bonds of Moody's A-rated companies, plus one percent. Distributions from the plan are made in cash.

The total compensation paid to non-management directors is 2007 is reflected in the following table.

**DIRECTOR COMPENSATION IN 2007**

| Name | Fees Earned or Paid in Cash ($)(1) | Stock Awards ($)(2) | Option Awards ($)(3) | All Other Compensation ($) | Total ($) |
|---|---|---|---|---|---|
| Gary F. Colter | $ 112,000 | $ 50,000 | $ 0 | $ 0 | $ 162,000 |
| Robert J. Dineen (4) | 31,857 | 50,000 | 0 | 0 | 81,857 |
| Peter S. Hellman | 62,472 | 50,000 | 0 | 0 | 112,472 |
| Anastasia D. Kelly | 102,000 | 50,000 | 0 | 0 | 152,000 |
| John J. McMackin, Jr | 72,000 | 50,000 | 0 | 0 | 122,000 |
| Corbin A. McNeill, Jr | 104,000 | 50,000 | 0 | 0 | 154,000 |
| Hugh H. Roberts (5) | 9,978 | 0 | 0 | 0 | 9,978 |
| Helge H. Wehmeier | 90,000 | 50,000 | 0 | 0 | 140,000 |
| Dennis K. Williams | 90,000 | 50,000 | 0 | 0 | 140,000 |
| Thomas L. Young (6) | 54,599 | 50,000 | 0 | 75,000 | 179,599 |

(1) The cash amounts paid to each director are made up of the following amounts:

| Name | Annual Retainer | Annual Committee Chair Retainer | Board Meeting Fees | Committee Meeting Fees | Total |
|---|---|---|---|---|---|
| Gary F. Colter | $ 50,000 | $ 20,000 | $ 18,000 | $ 24,000 | $ 112,000 |
| Robert J. Dineen (4) | 17,857 | 0 | 8,000 | 6,000 | 31,857 |
| Peter S. Hellman | 38,472 | 0 | 10,000 | 14,000 | 62,472 |
| Anastasia D. Kelly | 50,000 | 10,000 | 16,000 | 26,000 | 102,000 |
| John J. McMackin, Jr | 50,000 | 0 | 16,000 | 6,000 | 72,000 |
| Corbin A. McNeill, Jr | 50,000 | 20,000 | 16,000 | 18,000 | 104,000 |
| Hugh H. Roberts (5) | 5,978 | 0 | 2,000 | 2,000 | 9,978 |
| Helge H. Wehmeier | 50,000 | 0 | 18,000 | 22,000 | 90,000 |
| Dennis K. Williams | 50,000 | 0 | 16,000 | 24,000 | 90,000 |
| Thomas L. Young (6) | 32,143 | 6,456 | 10,000 | 6,000 | 54,599 |

(2) Amounts in this column reflect the expense recognized for financial reporting purposes for the indicated fiscal year, in accordance with Financial Accounting Standard ("FAS") 123R, with respect to awards of restricted shares of the Company's stock, which may include awards made during earlier years as well as the indicated year. Pursuant to SEC rules, in each case, the amount of compensation

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expense was calculated excluding forfeiture assumptions. The assumptions used to value awards and determine annual compensation expense are set forth in Note 13 to the audited financial statements included in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 1, 2007. The aggregate number of shares of restricted Common Stock held at December 31, 2007 by each Director is 6,366 for Mr. Colter, 1,518 for Mr. Hellman, 6,366 for Ms. Kelly, 6,366 for Mr. McMackin, 6,366 for Mr. McNeill, 82,281 for Mr. Stroucken, 6,366 for Mr. Wehmeier, 4,359 for Mr. Williams and 5,775 for Mr. Young.

(3) Amounts required to be presented in this column are the amounts expensed under FAS 123R during 2007, if any, with respect to options. All options previously granted to directors were fully amortized and expensed prior to 2006. The aggregate number of shares of Common Stock subject to options outstanding at December 31, 2007 for each Director is 10,000 for Ms. Kelly, all of which are currently exercisable, and 10,000 for Mr. McMackin, all of which are currently exercisable.

(4) Mr. Dineen retired from the Board upon the expiration of his term at the 2007 Annual Meeting of Share Owners.

(5) Mr. Roberts did not join the Board until October 2007.

(6) Mr. Young is a party to a consulting agreement with the Company, as described below under the heading "Certain Transactions". The amount listed above under "All Other Compensation" represents the amount paid to Mr. Young in 2007 under the terms of that consulting agreement. In March 2007, the Board approved an amendment to Mr. Young's consulting agreement under which, effective on the date of the 2007 Annual Meeting, Mr. Young would forego any further payments under the consulting agreement and would begin receiving compensation as a director. Prior to such amendment, Mr. Young had chosen to forego receipt of cash board fees to the extent the amounts paid to him under the consulting agreement exceeded the board fees to which he would otherwise have been entitled. In addition, in 2004 and 2006 he elected not to receive the grant of restricted stock granted to other non-management directors.

**Certain Transactions**

During 2007, the law firm of Williams & Jensen, P.C., of which Mr. McMackin is a member, received fees for legal services in connection with various matters. It is anticipated that the Company will continue to utilize the services of Williams & Jensen, P.C. on various Company matters.

In connection with his retirement, the Company entered into a consulting agreement with Mr. Young, a member of the Board. The agreement provides that Mr. Young, when and as requested by the chief executive officer, will provide consulting services and advice to the Company. The term of the agreement, which began on April 1, 2005 after Mr. Young ceased his employment with the Company, is for six years. Mr. Young may provide up to 60 days of advisory and consulting services in the first year of the agreement, up to 50 days of advisory and consulting services in the second year of the agreement and up to 40 days of advisory and consulting services in the third year of the agreement. During the term of the agreement and for two years thereafter, he will not accept employment with, or provide consulting or similar services to, any party on any matters having any possible conflict with the interests of the Company. For his services and commitments, the Company pays Mr. Young for his advisory and consulting services (i) an annual retainer of (a) $180,000 during the first year of the agreement, (b) $150,000 during the second year of the agreement, and (c) $120,000 during the third year of the agreement, and (ii) an additional fee of $3,000 for each day in excess of days per year specified above that he renders services as described above or for each day that he renders advisory and consulting services in the fourth through sixth years of the term of the agreement. The Company will reimburse him for reasonable expenses that he incurs in providing these services for the Company. In addition, during the term of the agreement the Company will provide him necessary office space, equipment and services. The principal service provided by Mr. Young under the agreement is to provide support for the Company in the form of witness testimony and consultation in certain third party reimbursement lawsuits the Company has pending. In March 2007, the Board approved an amendment to Mr. Young's consulting agreement under which, effective on the date of the Annual Meeting, Mr. Young would forego any further payments under the consulting agreement and would begin receiving compensation as a director. Prior to such amendment, Mr. Young had chosen to forego receipt of cash board fees to the extent the amounts paid to him under the consulting agreement exceeded the board fees to which he would otherwise have been entitled.

**Compensation Committee Interlocks and Insider Participation**

During the last fiscal year, the following directors served on the Compensation Committee of the Board: Anastasia D. Kelly (Chair), Corbin A. McNeill, Jr., Hugh H. Roberts (beginning October 18, 2007) and Dennis K. Williams. No member of the Committee has any relationship with the Company requiring disclosure under Item 404 or Item 407(e)(iii) of SEC Regulation S-K. No executive officer of the Company served on any board of directors or compensation committee of any other board for which any of the Company's directors served as an executive officer at any time during 2007.

## EXECUTIVE COMPENSATION

**Compensation Discussion and Analysis**

**Executive Summary**

The Compensation Committee of the Board (the "Committee") discharges the Board's responsibilities relating to compensation of the Company's executives and directors. In order to maximize overall Company performance, the Committee believes it is essential to successfully attract, retain and reward senior management. Those objectives are furthered by offering market competitive compensation in a manner that emphasizes performance-based pay. The Committee annually evaluates the senior management compensation program structure and pay levels, with emphasis on base salary, and annual and long-term incentives as they comprise the largest portion of total compensation. Approximately 65% of total compensation is variable and based on Company, business unit and individual performance. Compensation targets for each element and in total are targeted at the $50^{th}$ percentile of the established market; actual compensation earned is a function of performance and may be substantially more or less than the target opportunity.

In considering adjustments to base salary, the Committee annually reviews competitive market data and makes individual assessments of each named executive officer's performance and experience to determine appropriate merit and / or market adjustments. In 2007, our named-executive officers had merit increases that averaged 2% which does not include any market adjustments. Salaries for this group are positioned at slightly below the market median.

O-I's Senior Management Incentive Program ("SMIP") largely focuses on Company profitability. We significantly exceeded our annual incentive plan targets for earnings before interest and taxes ("EBIT") growth, gross profit margin and working capital as a percent of sales which resulted in a maximum payout for our named executive officers.

O-I's long-term incentive program is entirely equity-based and consists of three components: non-qualified stock options (40% of award value), performance shares (40% of award value) tied to achievement of 3-year financial goals, and restricted stock (20% of award value). The Committee believes this long-term incentive mix optimally achieves the compensation objectives of performance-based rewards linked to shareholder value and retention. All results significantly exceeded the established goals for the performance shares, resulting in a maximum payout for the 2005 2007 cycle.

To assess the alignment of historical pay and performance, the Committee requested that Watson Wyatt, the Committee's executive compensation consultant, prepare an analysis of historical pay and Company performance for the period 2004 2006 against the pay and performance of our comparator group (see below for list of peer companies). Historical realizable pay is the amount of compensation (base salary, annual incentive and long-term incentives) the top five executives have realized (or potentially could realize). Historical performance is evaluated on several key financial metrics. Overall, the Watson Wyatt study indicates that realizable pay for our top executives was well aligned with composite peer company performance for the 2004 2006 period, and demonstrates the Company's compensation program is operating as intended.

The Committee believes that, overall, the Company's compensation programs are well aligned to both share owner interests and the competitive market, and designed to reward overall Company and individual performance. Therefore, aside from minor modifications responding to either market conditions or organizational changes, the Committee believes the compensation programs for 2008 should remain largely unchanged from 2007.

**Compensation Programs**

In determining total compensation levels for its executive officers, the Committee examines two sources of data data from a comparator group of companies and published survey data.

The comparator group of companies is a selected mix of companies in the packaging and manufacturing sectors with an emphasis on companies with similar characteristics such as size, global presence, asset intensity, and other relevant factors. Watson Wyatt, the Committee's executive compensation consultant, reviews available data from public and private companies and, based on its knowledge of our industry and the Committee's preferences, recommends companies for possible inclusion in the comparator group. The chief executive officer and senior vice president & chief human resources officer review the list prior to presenting it to the Committee, and may make recommendations of other companies to consider, or to exclude based on their knowledge of the Company's industry. The Committee determines the final list of companies to be included.

The Committee reviews the list of comparator companies on an annual basis. The intent is to maintain stability in the comparator group over time, although changes may be made based on comparator company performance, mergers / acquisitions, and other relevant factors. The comparator group remained constant from 2006 to 2007.

The comparator group of companies used for determining compensation in 2007 were:

| | |
|---|---|
| American Standard Cos. Inc. | Owens Corning |
| Ball Corp. | Pactiv Corp. |
| Bemis Co. Inc. | Parker-Hannifin Corp. |
| Borgwarner Inc. | PPG Industries, Inc. |
| Crown Holdings Inc. | Praxair Inc. |
| Cummins Inc. | Rohm and Haas Co. |
| Dana Holding Corp. | Sealed Air Corp. |
| Dover Corp. | Silgan Holdings Inc. |
| Eastman Chemical Co. | Smurfit-Stone Container Corp. |
| Eaton Corp. | Sonoco Products Co. |
| Illinois Tool Works Inc. | Temple-Inland Inc. |
| Ingersoll-Rand Co. Ltd. | Timken Co. |
| Meadwestvaco Corp. | TRW Automotive Holdings Corp |

The comparator group of companies has median revenue of $7.1 billion, and median market cap of $5.6 billion compared to O-I's revenue of $7.7 billion and market cap of $6.3 billion.

In addition to examining the compensation data published by these companies in their proxies, the Committee also considers data published in general executive compensation surveys. Although there is a priority placed on data from other manufacturing companies, the view may be broadened to allow for a wider comparison, in particular for certain staff positions, which may not be separately reported by the comparator group. The following surveys were used to conduct our published survey analysis:

Watson Wyatt Data Services 2006/07 Top Management Survey

William M Mercer 2007 Executive Compensation Survey

Towers Perrin 2006/2007 Executive Compensation Database

Hewitt 2007 Executive Total Compensation Measurement Survey

We collected data from the general industy as well as the durable goods manufacturing industry. All survey data have been adjusted (whenever possible) through regression analysis to reflect the Company's revenues of $7.7 billion or the applicable business unit revenues.

Data on base pay, short term incentives and long term incentives are viewed individually and in aggregate when reviewing total compensation levels. The Company intends to target all components of total direct compensation at the $50^{th}$ percentile of the market, with the opportunity to earn above the $50^{th}$ percentile for superior performance and results.

**Total Direct Compensation**

Total direct compensation is the combination of base pay, annual incentive and long term incentives. The Company's compensation structure (base salary midpoint, target annual incentive and target long term incentive) is positioned at or near the $50^{th}$ percentile of the market. An executive officer's actual total direct compensation may be higher or lower than the market $50^{th}$ percentile based on individual performance, experience, past leadership roles, and Company performance. In making compensation decisions, the Committee considers each component individually and the executive officer's total direct compensation to assure overall alignment with the Company's compensation philosophy and principles.

***Base Pay***

The base pay program is designed to ensure the ability to attract and retain key executives. Base salary market values are positioned at approximately the $50^{th}$ percentile of the market. Individual salaries may be higher or lower depending upon a number of factors, including performance, experience, leadership and past assignments.

The Committee reviews executive officer salaries at least once per year, and may adjust salaries according to current market conditions, individual performance, and the results of benchmarking against survey data.

The Committee reviewed most executive officer base pay levels on April 1, 2007. With the exception of Mr. Stroucken, each executive officer received an increase of 2.0% of base salary. Mr. Stroucken's pay was not reviewed during 2007 since he was hired, and his base salary established, on December 4, 2006.

Mr. Crawford received an additional increase on October 1, 2007 of 20.5%. Mr. Crawford was promoted into his current role in October 2006 at which time his base salary was below the market median for that new role. The additional increase raised his base salary closer to the market median for his new position.

***Annual Incentive***

SMIP is designed to motivate the achievement of overall financial results as well as motivate individual performance. Annual incentive target values are generally positioned at the $50^{th}$ percentile of the market. Each year the Committee reviews the performance measures to ensure they are providing appropriate incentives for the achievement of goals that are important to the Company for that year. The Committee may change the measures used, the weightings, and how the targets are set in determining the plan for the upcoming year.

In 2007, the program measured the achievement of EBIT, gross profit margin, and working capital as a percent of sales (the latter based on a five point average, measured at December 31, 2006, March 31, 2007, June 30, 2007, September 30, 2007 and December 31, 2007). Both gross profit margin and working capital are new measures for 2007. The EBIT measure continued to be used since it represents a fundamental measure of profitability. The gross profit margin measure was added to emphasize the Company's focus on regaining margin lost over several years. The working capital measure was added to retain a focus on cash generation, with the five point method designed to maintain that focus throughout the course of the year.

The incentive pool is created by exceeding performance thresholds against established budgets for EBIT and gross profit margin, each weighted at 50%. Each measure stands alone and may result in a bonus payout. If an incentive pool is created, the amount payable is then determined based on exceeding performance thresholds against established budgets for both EBIT and gross profit margin, each weighted at 30%, and working capital, weighted at 40%.

Once the pool is created, 80% of the individual award is based strictly on overall financial results, with the remaining 20% being discretionary to reward individual performance and results, and overall leadership contribution to the Company. In 2007, the awards to named executive officers were determined either at the Company level, where 100% of the financial results is based on total Company results

(Messrs. Stroucken, White, Baehren and Crawford); or at a business unit level, where 50% of the financial results is based on business unit results, with the remaining 50% being based on total Company results (Mr. Ridder).

The Committee reviews and approves the measures and financial targets set for each plan year. In this process, they consider the overall Company budget (as approved by the Board of Directors), the state of the industry and other external economic factors. In setting the goals for 2007, each measure required year-over-year improvement to earn a payout. Over the past five years, payouts ranging from zero to 200% of target have been earned at the Company level.

For 2007, the Company and three of the four business units achieved the maximum against all established performance goals and paid out the maximum SMIP award at 200% of target.

SMIP target awards are set for each executive. For 2007, the targets and payouts earned, in each case expressed as a percent of base pay, were:

| Name | Target | Actual Payout |
|---|---|---|
| Albert P. L. Stroucken | 150% | 300% |
| Edward C. White | 70% | 140% |
| James W. Baehren | 65% | 130% |
| L. Richard Crawford | 70% | 140% |
| Gregory W. J. Ridder | 60% | 120% |

Each named executive officer received the maximum payout for 2007 performance (200% of target). In deciding these payouts, the Committee determined that each individual earned the full 20% of the discretionary component based on his overall performance and contribution to Company results.

***Long Term Incentives***

Long term incentive compensation is delivered solely in the form of equity. Delivering this component of executive compensation as equity further aligns the executive officers' interests with share owner interests. This component of the executive compensation package rewards each executive officer's current contributions to the Company and provides motivation to achieve overall Company goals and drive share owner value over time.

Three types of equity are awarded: stock options, restricted stock, and performance shares. The awards are expressed as a dollar amount and split as follows at the executive officer level:

40% of the award value is made in non-qualified stock options

20% of the award value is made in restricted stock

40% of the award value is made in performance shares

Individual equity awards are determined based on a review of data from the comparator group, as well as published survey data. Awards are targeted at the 50$^{th}$ percentile of the market. Individual awards may vary based on performance, leadership, potential and other relevant factors. When making grant decisions, the Committee focuses on the dollar value of the award and, in the case of the performance shares, on the achievement of certain goals over a three year performance period. For 2007, the executive officers received grants with the following target values:

| Name | Target |
|---|---|
| Albert P. L. Stroucken | N / A |
| Edward C. White | $ 450,000 |
| James W. Baehren | $ 450,000 |
| L. Richard Crawford | $ 450,000 |
| Gregory W. J. Ridder | $ 275,000 |

Mr. Stroucken was hired on December 4, 2006 and did not receive an equity award during 2007.

Stock options and performance shares, which equate to 80% of the value of the long term incentive award, have a strong pay for performance orientation, while the granting of restricted stock provides a strong retention link. The combination of 100% of long term incentive awards being granted in the form of Common Stock along with our stock ownership guidelines (described below) promotes significant alignment with share owner interests.

The actual amount earned under this plan is a function of the performance of the Common Stock (for stock options and restricted shares); and for the performance shares, Company performance against pre-established three year goals.

The Committee reviews the mix of long term incentive awards annually, and may make changes based on relevance to desired business objectives and market practices. In 2007, the Committee did not change the mix of long-term incentive awards from 2006.

A former cash-based long term incentive plan, the Performance Award Plan, was terminated at the end of 2004. However, in 2004 the Committee determined that participants would receive a prorated payout (2/3) for the previously awarded 2003-2005 cycle of 79.1% of target, which represents the average of the 2003 and 2004 results. This payout was made in early 2006. A prorated (1/3) payout for the previously awarded 2004-2006 cycle of 109.4%, which represents the 2004 results, was payable in early 2007 and was the final payout under this plan. Neither Mr. Stroucken nor Mr. Ridder participated in this plan.

***Stock Options***

Stock options account for 40% of the total award value to each named executive officer.

The value of options is based on the Black-Scholes value of Common Stock on the grant date, using the same assumptions used for financial accounting purposes. To determine the number of options awarded, 40% of the total long term incentive award is divided by the Black-Scholes value of the Common Stock on the date of the grant to determine the number of options granted. For instance, assuming an overall long term incentive award equal to $100,000, Common Stock price of $53.00, and Black-Scholes value of $16.40, the number of options granted would be calculated as follows:

$100,000 X 40% = $40,000 / $16.40 = 2,439 shares

Beginning in 2005, the stock options granted under the long term incentive program vest 25% on each of the four anniversaries following the grant date. The options have a life of seven years.

***Restricted Stock***

Time based restricted stock represents 20% of the long term incentive award value for named executive officers based on the actual Common Stock price on the date of grant. To determine the number of shares awarded, 20% of the total value of the approved equity award is divided by the Common Stock price to arrive at the number of restricted shares granted. For instance, assuming an overall total long term incentive award equal to $100,000, and Common Stock price of $53.00, the number of shares granted would be calculated as follows:

$100,000 X 20% = $20,000 / $53.00 = 377 shares

Beginning in 2005, the restricted stock awards granted under the long term incentive program vest 25% on each of the four anniversaries following the grant date.

***Performance Shares***

The third form of equity granted is performance shares. Performance shares account for 40% of the total award value to each named executive officer. First granted in 2005, performance shares are meant to reward financial performance over a three year cycle. The first performance cycle was January 1, 2005 December 31, 2007; 2006 grants have a performance cycle of January 1, 2006 December 31, 2008; 2007 grants have a performance cycle of January 1, 2007 December 31, 2009.

Subject to certain exceptions, performance shares do not vest until the end of the related performance period. The performance criteria are approved by the Committee at the grant date. The performance criteria for the performance shares granted in 2005, 2006 and 2007 measure the Company's performance over a three year period in return on invested capital (calculated as segment operating profit times one minus the Company's tax rate, divided by the sum of total debt, minority share owner interest and total share owners' equity) ("ROIC"), and an EPS growth rate (based on earnings per share from continuing operations before asbestos-related charges and items that management considers not representative of ongoing operations), which are equally weighted. If performance against both targets is below the threshold level relative to the targets established by the Committee for the three year period, no award is earned. To the extent that performance against either or both of the targets meets or exceeds the threshold level relative to the established targets for the three year period, named executive officers can earn from 50% to 150% of the award granted. The Committee reviews audited financial results prior to determining the amount of any award earned under this plan, and there is no discretion applied to individual payout amounts.

For the 2005 2007 performance cycle, a payout at 150% of target was earned. For the 2006 2008 and 2007 2009 performance cycles, we are too early in the cycle to project with reasonable accuracy the probability of an award at the end of the cycle.

For the 2005-2007 and 2006-2008 performance cycles, the value of the performance shares is equal to 85% of the Common Stock price on the date of grant, which reflects the risk that an award may not be earned due to Company performance or forfeiture. To determine the number of performance shares granted, 40% of the total value of the approved equity award is divided by 85% of the Common Stock price on the grant date. For instance, assuming an overall long term incentive award equal to $100,000 and Common Stock price of $53.00, the number of performance shares granted would be calculated as follows:

$100,000 X 40% = $40,000 / ($53.00*85%) = 888 units

For the 2007-2009 performance cycle the value of the award was calculated using 85% of the Common Stock price on the date of grant.

If a payout is earned at the end of the performance period, performance shares are paid out in shares of Common Stock.

At the April 6, 2006 meeting of the Compensation Committee, the Company requested that the Committee review the performance goals established for the January 1, 2005 December 31, 2007 performance cycle. Due to changes in accounting standards and estimates, specifically the reduction of net operating loss carryforwards in accordance with FAS 109 and expensing of stock options under FAS 123R, the Committee reconsidered the original EPS growth rate goal for this performance cycle. In addition, the Committee considered an adjustment for the ROIC target as a result of FAS 123R, a change in tax rate, the addition of the European securitization debt on the balance sheet due to the expansion of the program, and changes in share owners' equity due to FAS 142, FAS 109, and FAS 5.

In requesting a re-setting of the baseline measures of the goals, the intent was not to penalize award recipients for factors generally outside the control of the Company. As most of the factors considered above were related to changes in accounting standards or estimates required by generally accepted accounting principles, the Committee determined that a re-setting of the baseline goals was appropriate.

The Committee subsequently approved the following types of events that may be considered for adjustments to the targets. Although it was agreed that these items may be considered by the Committee, it is solely at the Committee's discretion to make changes based on these items:

- The impact of major acquisitions and divestitures
- Material litigation expenses, reserves and settlements, including asbestos-related charges
- Accounting rule changes or a new, material impact from an existing accounting standard
- Material statutory changes in tax rates (as opposed to those driven by tax planning, operations and execution)
- Material changes in the Company's capital structure
- Significant, extraordinary items / events that, in the opinion of the Committee, do not accurately represent the Company's operating performance

At the October 17, 2007 meeting of the Compensation Committee, the Company proposed, and the Committee agreed to, re-setting the performance measures due to the divestiture of the Plastics business. The effect of this was simply to modify the measures used over the cycles already in progress (2005-2007, 2006-2008, 2007-2009) to accurately reflect the business as it exists post-sale of Plastics.

**Equity Granting Practices**

The Committee has established a formal process to govern equity grants. The same process is used for all employees receiving equity grants, including the named executive officers. Each January, the Committee is asked to determine the overall amount (dollar value) of equity available for awards during that year's grant cycle. In making a proposal to the Committee, the Company reviews prior year grants, current competitive market data, run rate and overhang data, and each executive officer's overall compensation package in relation to the market. Once the overall amount of equity available is determined, the chief executive officer makes individual award recommendations for each senior executive. These recommendations are presented to the Committee for review and approval. The option strike price is determined on the date the awards are approved by the Committee and is set at the closing price of the Common Stock on the date of approval (or the first business day after the grant date if the grant date falls on a non-business day). In order to streamline administrative processes, a grant date of March 7 has been adopted by the Committee. That date falls outside of the quarterly blackout periods prescribed under the Addendum to Insider Trading Policy applicable to all named executive officers.

All equity grants to officers of the Company must be approved by the Compensation Committee. The Committee did, however, delegate authority to the chief executive officer to grant a certain number of awards, not to exceed 100,000 shares, (whether options, restricted stock, or performance shares) for events such as the hiring or promotion of key personnel, provided the recipient is not an officer subject to Section 16b of the Securities Exchange Act, which would require Committee approval.

**Stock Ownership Guidelines**

In 2005, the Committee implemented stock ownership guidelines for its executive officers. The guidelines are as follows:

| | |
|---|---|
| Chairman & CEO | five times base salary |
| Senior Business / Function Leader | 2.5 times base salary |
| Other Key Leaders (as designated by CEO) | 1.5 times base salary |

The guidelines state that the targeted level of ownership must be achieved within five years of the time the individual becomes subject to the guideline. In addition, the Committee has also implemented share retention guidelines. These guidelines state that, until the stock ownership guidelines are met, executive officers are required to retain 75% of the "net profit shares" acquired from option exercises, restricted stock or performance shares. "Net profit shares" are those shares remaining after payment of tax obligations and, if applicable, option exercise costs.

The Committee reviews ownership levels for executive officers on an annual basis. Failure to comply with the stock ownership and retention guidelines may result in delays of promotions and / or future compensation increases.

Ownership achievement against guideline is measured at June 30 each calendar year, based on a 200 day moving average of the stock price. For 2007, the named executives have achieved the following toward their ownership guidelines:

| | |
|---|---|
| Albert P. L. Stroucken | 143% |
| Edward C. White | 281% |
| James W. Baehren | 296% |
| L. Richard Crawford | 279% |
| Gregory W. J. Ridder | 105% |

**Tax Deductibility under 162(m)**

Under U. S. federal income tax law, the Company cannot take a tax deduction for certain compensation paid in excess of $1,000,000 to named U. S. based executive officers. However, performance-based compensation, as defined in the tax law, is fully deductible if the programs are approved by share owners and meet other requirements. The Company's policy is to qualify its incentive compensation programs for full corporate deductibility, to the extent feasible and consistent with its overall compensation goals. The Company has taken steps to qualify compensation under the Incentive Bonus Plan, as well as stock options and performance share awards under its equity plan, for full deductibility as "performance-based compensation." The Company may make payments that are not fully deductible if, in its judgment, such payments are necessary to achieve the Company's compensation objectives and to protect share owner interests.

**Health and Welfare Benefits**

The Company maintains a comprehensive health and welfare benefits plan for all its U.S. based employees. The benefits offered to U.S. executive officers under this plan are essentially the same as those offered to all salaried employees of the Company. Named officers residing outside the U.S. generally participate in health and welfare benefit plans offered to salaried employees in their home locations.

In the U.S., these plans include a choice of comprehensive health plans, a dental plan, and Company-paid short term and long term disability programs.

The Company also maintains life insurance benefits for its named executive officers. For named executive officers who were officers prior to 2006, the Company provides a whole life benefit equal to 3 times base salary for its U.S. based executive officers, and a benefit equal to $400,000 for its non-U.S. based executive officers. Upon termination (other than for retirement), the executive officer is given the opportunity to purchase the policy outright. Upon retirement, the paid-up policy is distributed to the executive officer. The retiring executive officer also receives a tax gross-up payment on the value of the policy.

In 2006, the Company closed this plan to new entrants. Newly hired U.S. executive officers are covered by a term-life policy equal to 3 times base salary. This policy may be converted, at the participant's expense, to an individual policy upon termination or retirement, subject to the terms and conditions of the insurance policy.

**Retirement Benefits**

The Company maintains two qualified retirement plans for U.S. based salaried employees: the Salary Retirement Plan (a defined benefit pension plan), and the Stock Purchase and Savings Plan (a defined contribution plan). The Company also maintains two non-qualified retirement plans for employees who earn in excess of the qualified plan limits: the Supplemental Benefits Retirement Plan (a defined benefit plan); and the Executive Deferred Savings Plan (a defined contribution plan).

The defined benefit pension plan was closed to new entrants after December 31, 2004. Participants at that date continue to accrue pension benefits under the plan. The annual benefit is calculated based on the following formula:

> 1.212% multiplied by average annual earnings for high three years of salary plus bonus (if applicable) multiplied by number of years of service, plus
>
> .176% multiplied by average annual earnings above the Social Security wage rate at retirement multiplied by number of years of service

Also after December 31, 2004, the Company made some changes to the way that benefits can be paid. Benefits accrued at December 31, 2004 are eligible to be paid in a lump sum. Benefits accrued post-December 31, 2004, however, are only eligible to be paid on an annuity basis. Messrs. White, Baehren and Crawford are eligible to participate in this plan.

As a qualified plan, benefits are limited by IRS regulations. For those employees who earn compensation in excess of these limits, the Company maintains an unfunded SBRP. This plan allows for benefits in excess of the IRS limits to be accrued and paid to participants upon retirement. As a non-qualified plan, all payments are made in a lump sum out of the general assets of the Company. Messrs. White, Baehren and Crawford are eligible to participate in this plan. Mr. Stroucken accrues a benefit under this plan pursuant to the terms of his employment agreement as described below under the heading "Compensation Discussion and Analysis CEO Compensation."

The Company maintains a superannuation plan for the benefit of employees in Australia. Similar to a cash balance plan in the United States, this plan provides a defined benefit to the employee at retirement based on the employees level of contribution to the plan during their career with the Company. The plan requires a minimum Company contribution for each employee and provides for a higher level of Company contribution if the employee also elects to contribute. The plan complies with local regulations governing superannuation benefits in Australia. Mr. Ridder is eligible to participate in this plan.

The Stock Purchase and Savings Plan ("SPASP") is a defined contribution plan, provided under section 401(k) of the Internal Revenue Code. For all U.S. based salaried participants, the plan provides the opportunity to contribute up to 80% of base salary on a tax-deferred basis (subject to annual limits established by the IRS). The Company provides a match equal to 50% of the first 8% of base salary contributed by the participant. While employees may direct their own contributions into a number of provided investments, the Company match is made in Common Stock. The match is immediately vested, and participants can move the match out of Common Stock, and into any of the other investments, at any time subject to blackout periods and other trading window restrictions. Messrs. Stroucken, White, Baehren and Crawford are eligible to participate in this plan.

For participants hired January 1, 2005 and later, who are not eligible to participate in the Salary Retirement Plan, the Company also makes a base contribution to the SPASP equal to 2% of base salary. This contribution is made each payroll period, and is invested in the same investment options selected by the participants for their own contributions. Mr. Stroucken is eligible to participate in this plan.

As contributions to the SPASP are limited to amounts prescribed by the IRS, the Company also maintains a non-qualified Executive Deferred Savings Plan. This plan allows certain employees (including the named executive officers) to defer up to 19% of their base salary. The plan allows participants to elect that their deferrals be credited to either a money-market type fund (the cash deferral account) or Common Stock account. Interest in the cash deferral account accrues interest, compounded monthly, at an annual rate equal from time to time to the average annual yield on domestic corporate bonds of Moody's A-rated companies. This is an unfunded plan, and any deferrals made to this plan are not protected against bankruptcy, insolvency, or the Company's discretion to reduce or cancel the participant's account balance.

Upon termination or retirement, participants may elect to leave their assets in the SPASP or roll them out, either on a cash basis or into another tax qualified retirement vehicle. Assets in the Executive Deferred Savings Plan will be paid out of the general assets of the Company and are paid in a lump sum. Messrs. Stroucken, White, Baehren and Crawford are eligible to participate in this plan.

The Company provides retiree medical benefits to U.S. based salaried employees hired prior to January 1, 2003. The plan was closed to new entrants as of January 1, 2003. Participants at that date are still covered by the plan. U.S. based executive officers participate in the plan on the same basis as all other salaried employees. Messrs. Baehren, Crawford and White are entitled to receive benefits from this plan upon retirement.

**Other Benefits**

The Company provides certain other benefits to named executive officers as described below. Our perquisite program represents a small portion of overall compensation. We provide these particular benefits because they represent the most common perquisites provided to executives and assist the Company to both attract and retain executives. The nature of the types of other benefits provided is reviewed by the Committee on a periodic basis to ensure the Company maintains a competitive market position.

Mr. Ridder is covered by the Senior Executive Retention and Confidentiality Agreement applicable to certain executives in Australia. This plan was established January 1, 2001 in response to specific market and competitive threats. It provided a series of overlapping 3 year cycles leading to cash payments based in part on achievement of certain performance metrics, and includes a two year non-compete commitment. The plan has been terminated, with the last cycle running January 1, 2005 to December 31, 2007.

U.S. named executive officers who were officers prior to 2006 were provided with a vehicle leased by the Company. Such arrangement included insurance and maintenance on the vehicle. In mid-2006, changes were made to this practice. Specifically, U.S. named executive officers who currently have a vehicle will retain that vehicle through the end of the lease period. At the end of the lease, the named executive officer will be given a car allowance in the amount of $2,000 per month. This allowance is intended to cover the cost of a vehicle plus insurance and maintenance. The allowance is not included in compensation for purposes of determining base pay increases, annual incentives, retirement benefits, or any other benefit determined using base pay. Executive officers who remain in their positions will continue to receive this allowance. Newly hired executive officers or individuals promoted into these positions will not be eligible for this allowance in the future.

The Company provides financial planning and tax preparation services for its U.S. executive officers. The executive officer may choose to work with any consultant of their choice. The Company pays for the cost of this service, up to $15,000 per year, and provides a tax gross-up on this amount.

U.S. executive officers are also eligible to participate in an annual executive physical examination program. The program is offered through a single provider in the Toledo area and is limited to $3,500 per year.

The Company installs a home security system for its U.S. based executive officers, and provides monitoring of the system through its existing security personnel.

Under board policy, for security reasons, the Company's chief executive officer generally uses the Company aircraft for both business and personal travel. Per the terms of his agreement, Mr. Stroucken's personal use of the Company aircraft is limited to 50 hours per year. Personal travel by any other officers requires the approval of the chief executive officer.

**CEO Compensation**

The Company's former Chairman and CEO terminated his employment effective November 30, 2006, and Albert P. L. Stroucken was named as the new Chairman and CEO effective December 4, 2006.

The Company entered into an employment agreement with Mr. Albert P. L. Stroucken, effective December 4, 2006, the terms of which were disclosed on Form 8-K/A filing, November 28, 2006, and include the following:

Position as Chairman of the Board and Chief Executive Officer.

Initial base salary of $950,000 per year. This base salary level was determined based on published survey data indicating the $50^{th}$ percentile in the market of $1,048,000, and published proxy data for peer companies indicating median pay of $965,000. Given these data points, as well as the fact that Mr. Stroucken was newly hired into this job, the Committee believes this pay level to be both market competitive and consistent with the Company's stated compensation philosophy and principles.

SMIP target incentive of 150% of base salary. 2007 incentive is guaranteed at a minimum of target. Likewise, the Committee reviewed both published survey data and proxy data for peer companies in determining an appropriate annual incentive target. Published survey data indicates average actual payout at 128% of base salary, while proxy data indicates median actual payout at 161% of base salary. Published sources reveal actual payout only, not annual target incentive. Given these comparators, the Committee believes this annual incentive target to be both market competitive and consistent with the Company's stated compensation philosophy and principles.

An initial equity grant equal to $3,750,000 representing a portion of the compensation, benefits, and / or equity he forfeited by terminating his employment agreement with his current employer prior to the expiration of his employment agreement. The value of this grant was split 50% in the form of unrestricted common stock of the Company, and 50% in the form of non-qualified stock options. The stock options were issued at the closing price of the stock on Mr. Stroucken's first day of employment, are 100% vested, and have a life of seven years.

A sign-on equity grant valued at $3,000,000. The value of this grant was split 50% in the form of stock options (with the normal four year vesting and seven year life), and 50% in the form of restricted stock (with the normal four year vesting).

An additional equity grant valued at $3,000,000. This equity grant is in lieu of any additional equity grant for the 2007 grant cycle, and is valued 40% in the form of stock options (with the normal four year vesting and seven year life), 20% in the form of restricted stock (with the normal four year vesting), and 40% in the form of performance shares. The performance share grant will be determined during the normal 2007 grant cycle, and will have the same three year performance cycle and metrics as all other grants made during the cycle. In determining the 2007 equity grant, the Committee reviewed both published survey data and proxy data for peer companies. Published survey data indicates average long term incentive awards at $2,866,000, while proxy data indicates median long term incentive awards at $2,965,000. Given this data, the Committee believes the long term incentive award is both market competitive and consistent with the Company's stated compensation philosophy and principles.

A non-qualified pension benefit calculated in the same manner as described for the Salary Retirement Plan above, granting Mr. Stroucken his actual service with the Company at the time of retirement, plus an additional 1.5 years of service.

Car allowance in the amount of $24,000 per year.

Term life insurance in the amount of three times base annual salary, and gross-up on imputed income.

Financial planning in an amount not to exceed $15,000 per year, plus gross-up.

Personal use of Company aircraft up to 50 hours per year, plus gross-up.

Reimbursement for any loss on the sale of his home subject to a maximum reimbursement of 20% of the then appraised value of the home. Such reimbursement to be made upon termination after the initial term of the agreement.

In the event of termination not for cause, severance in the amount of two times annual base salary plus target bonus, payable over the term of the severance period; and twenty-four months continued health care coverage for himself and any eligible dependents at the same rate as active employees, unless he becomes covered by another employer plan. Severance benefits subject to a two year non-compete / non-solicitation agreement.

Per the terms of his agreement, Mr. Stroucken purchased shares of our Common Stock equal to $1,000,000 on December 4, 2006.

**Roles and Responsibilities**

There are many inputs to the executive compensation process, as well as the appropriate governance and compliance mechanisms. In general, the Compensation Committee has primary responsibility for discharging the Board's responsibilities relating to compensation of the Company's executive officers. See description of the Committee above under the heading "Committees of the Board."

***Executive Compensation Consultant***

To assist the Committee in carrying out its duties and responsibilities, the Committee contracts with an executive compensation consultant. The Committee has retained Watson Wyatt to act in this capacity. Watson Wyatt reports directly to the Committee in providing this service, and the Committee retains sole authority to retain and terminate the consulting relationship.

In carrying out its responsibilities, Watson Wyatt will typically collaborate with management to obtain data, provide background on program history and operation, and clarify pertinent information. Working under the Committee's direction, both the Committee and management will review and discuss key issues and alternatives during the development of recommendations, and prior to presentation for final approval.

Watson Wyatt also performs certain services for the Company from time to time. Accordingly, the Committee and Watson Wyatt have agreed upon certain specific protocols to be used in order to avoid potential conflicts of interest.

***Chief Executive Officer***

The Company's chief executive officer attends Compensation Committee meetings and is responsible for providing relevant input on the compensation elements of the executive officers, including individual performance input, and making specific recommendations on base salaries, annual and long-term incentives, and promotions.

The chief executive officer is also responsible for discussing the key business drivers behind the executive compensation results, including the establishment of the plan metrics, and periodically discussing the results achieved against those metrics. The chief executive officer is excluded from executive sessions and from discussion involving his compensation.

***Senior Vice President, Chief Human Resources Officer***

The senior vice president and chief human resources officer ("SVP CHRO") is responsible for coordinating Committee activities, including proposing meeting agendas based on the Committee's planning calendar and decision making responsibility, arranging for meetings outside of the normal meeting cycle as appropriate, and, working in concert with the Committee's executive compensation consultant, to prepare the appropriate materials for review by the Committee. The SVP CHRO will follow up on meeting action items and other assignments from the Committee and will be available for consultation with the Committee as needed.

In this role, the SVP CHRO will normally consult with the chief executive officer, chief financial officer, and general counsel and corporate secretary. Each may be asked to prepare information for Committee review, attend Committee meetings as appropriate, and provide relevant background information for inclusion in Committee materials.

***Involvement of other Executive Officers***

The Company's chief financial officer prepares and presents all financial results to the Committee as necessary to determine achievement against goals in the various incentive compensation plans. The chief financial officer provides commentary at the Committee's request, discusses overall results providing appropriate information relative to achievement (or under or over achievement as may be the case), and plays an active role in development of the goals presented for approval in upcoming incentive compensation plan design.

The general counsel and corporate secretary participates in all Committee meetings, taking appropriate minutes to preserve a record of discussion and action. The general counsel and corporate secretary is responsible for providing relevant legal advice to the Committee on its executive compensation plans, and ensuring compliance with all appropriate regulations, including SEC and IRS regulations, that impact executive compensation.

***Employment Agreements***

In addition to the agreements referred to above under the heading "CEO Compensation," the Company has also entered into employment agreements with certain officers, including the other named executive officers listed in the Summary Compensation Table, that entitle the participants to receive their base salaries and to participate in designated benefit plans of the Company. The agreements provide for termination of employment at any time, with or without cause, and further provide that the benefit plans designated therein and each employee's rights to receive salary and bonuses pursuant thereto are subject to modification by the Company in its sole discretion.

**BOARD COMPENSATION COMMITTEE REPORT**

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with management. Based on such review and discussions, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this proxy statement and incorporated by reference into the Company's Annual Report on Form 10-K for the year ended December 31, 2007.

Anastasia D. Kelly, Chair
Corbin A. McNeill, Jr.
Hugh H. Roberts
Dennis K. Williams

**2007 SUMMARY COMPENSATION TABLE**

| Name and Principal Position | Year | Salary ($) | Bonus ($) | Stock Awards ($)(1) | Option Awards ($)(2) | Non-equity Incentive Plan Compensation ($)(3) | Change in Pension Value and Non-Qualified Deferred Comp Earnings ($) | All Other Compensation ($)(4) | Total ($) |
|---|---|---|---|---|---|---|---|---|---|
| Albert P. L. Strroucken<br>Chairman, Chief Executive Officer, and President(5) | 2007<br>2006 | $ 974,000(6)<br>75,077(6) | <br>1,875,002(7) | $ 1,812,316<br>1,966,149 | $ 1,349,999<br>1,992,184 | $ 2,850,000 | $ 844,681<br>189,632 | $ 225,103<br>99,730 | $ 8,056,099<br>6,197,774 |
| Edward C. White<br>Senior Vice President and Chief Financial Officer | 2007<br>2006 | 398,083<br>381,100 | | 862,535<br>389,776 | 267,501<br>265,806 | 557,316<br>25,501(8) | 502,286<br>212,807 | 105,916<br>109,295 | 2,693,637<br>1,384,285 |
| James W. Baehren<br>Senior Vice President, Strategic Planning and General Counsel | 2007<br>2006 | 369,460<br>357,000 | <br>100,000(9) | 592,483<br>268,157 | 172,753<br>161,133 | 480,298<br>33,197(8) | 83,927<br>44,952 | 111,094<br>118,043 | 1,810,015<br>1,082,482 |
| L. Richard Crawford<br>President, Global Glass Operations | 2007 | 373,500 | | 555,774 | 147,797 | 522,900 | | 70,661 | 1,670,632 |
| Gregory W. J. Ridder<br>President, AsiaPacific | 2007 | 442,871 | | 287,452 | 98,764 | 642,782(10) | 125,841 | 37,597 | 1,561,086 |

(1) Amounts in this column reflect the expense recognized for financial reporting purposes for the indicated fiscal year, in accordance with FAS 123R, with respect to awards of restricted shares of Common Stock, which may include awards made during earlier years as well as the indicated year. For details of individual grants of restricted shares during 2007, please see the "Grants of Plan-Based Awards" table below. Pursuant to SEC rules, in each case, the amount of compensation expense was calculated excluding forfeiture assumptions. The assumptions used to value awards and determine annual compensation expense are set forth in Note 13 to the audited financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2007 filed with the SEC on February 29, 2008.

In 2006, the FAS 123R reporting did not include an amount for the Company's equity incentive compensation plan as the likelihood of payout was low; however, the 2006 numbers have been updated to include an amount for the equity incentive compensation plan based on actual achievement for the 2005 - 2007 cycle and likelihood of payout for future cycles. See "Compensation Discussion and Analysis  Long Term Incentives" for further discussion.

(2) Amounts in this column reflect the expense recognized for financial reporting purposes for the indicated fiscal year, in accordance with FAS 123R, with respect to awards of options to purchase Common Stock, which may include awards made during earlier years as well as the indicated year. For details of individual grants of stock options during 2007, please see the "Grants of Plan-Based Awards" table below. Pursuant to SEC rules, in each case, the amount of compensation expense was calculated excluding forfeiture assumptions. The assumptions used to value awards and determine annual compensation expense are set forth in Note 13 to the audited financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2007 filed with the SEC on February 29, 2008.

(3) Except as otherwise provided, the amounts disclosed in this column represent awards under the Owens-Illinois, Inc. Senior Management Incentive Plan for the year indicated. Amounts, if any, deferred at the election of a named executive officer are included in the year earned.

(4) All Other Compensation is summarized below:

| | Executive Life Premium(a) | Financial Planning(b) | Executive Physical | Leased Automobile | Personal Use of Aircraft(c) | Secular Trust Life Insurance Premium(d) | Other Miscellaneous Income(e) | Tax Payments(f) |
|---|---|---|---|---|---|---|---|---|

| | | Executive Life Premium(a) | Financial Planning(b) | Executive Physical | Leased Automobile | Personal Use of Aircraft(c) | Secular Trust Life Insurance Premium(d) | Other Miscellaneous Income(e) | Tax Payments(f) |
|---|---|---|---|---|---|---|---|---|---|
| Albert P. L. Stroucken | 2007 | $ 22,176 | $ 9,400 | $ 0 | $ 0 | $ 108,411 | $ 0 | $ 33,622 | $ 51,494 |
| Edward C. White | 2007 | 56,524 | 11,739 | 3,400 | 12,493 | 0 | 0 | 15,923 | 23,168 |
| James W. Baehren | 2007 | 40,911 | 2,457 | 0 | 12,410 | 2,313 | 12,750 | 14,778 | 25,475 |
| L. Richard Crawford | 2007 | 20,403 | 0 | 0 | 8,399 | 0 | 11,125 | 15,018 | 15,716 |
| Gregory W. J. Ridder | 2007 | 6,591 | 0 | 0 | 0 | 0 | 0 | 31,006 | 0 |

(a) Actual premium payments for executive life insurance policies equal to three times base annual salary for the named executive, with the exception of Mr. Ridder whose policy equals $400,000.

(b)

Named executive officers are eligible for reimbursement for professional advice related to tax, estate planning, and financial planning.

(c)

The amounts shown in this column reflect the personal use of Company aircraft by the named executive officers. Under Board policy, for security reasons, the Company's CEO generally uses the Company aircraft for both business and personal travel. Personal travel by any other officers requires the approval of the CEO. The amounts shown for 2007 reflect the variable costs of personal flights taken by the respective officers. Variable costs were calculated based on a methodology that reflects average costs of operating each aircraft, such as fuel costs, trip-related maintenance, crew travel expenses, trip-related fees and storage costs, on-board catering and communications charges, and other miscellaneous variable costs. Since the aircraft are used primarily for business travel, fixed costs that do not change based on usage such as pilot compensation, the purchase or lease costs of the aircraft, and maintenance not related to travel are excluded.

(d)

The amounts represent payments of life insurance premiums for policies held in a secular trust in Messrs. Baehren's and Crawford's names. These policies were purchased under an agreement between Messrs. Baehren and Crawford, and the Company to provide a secured executive retirement benefit as an offset to the Company's qualifed and non-qualified pension plans

(e)

The amount shown in this column for Mr. Stroucken represents $14,622 in relocation expenses; and a qualified defined contribution base benefit of $19,000.

The amount shown in this column for Mr. White represents a qualified defined contribution match of $5,310 and a non-qualified defined contribution match of $10,613.

The amount shown in this column for Mr. Baehren represents a qualified defined contribution match of $9,000 and a non-qualified defined contribution match of $5,778.

The amount shown in this column for Mr. Crawford represents a qualified defined contribution match of $8,260 and a non-qualified defined contribution match of $6,758.

The amount shown in this column for Mr. Ridder represents the Company contribution to the Superannuation Plan.

(f)

The amounts shown in this column include tax gross-ups, tax payments and tax reimbursements for financial planning and other miscellaneous perquisites and other benefit amounts, and, with respect to each named executive officer, the following items for 2007:
For Mr. Stroucken, $32,877 attributable to personal use of Company aircraft; $6,891 attributable to tax preparation and financial planning; and $11,726 attributable to relocation expenses paid by the Company on Mr. Stroucken's behalf.

For Mr. White, $9,159 attributable to his personal use of an automobile provided by the Company; $8,606 attributable to tax preparation and financial planning; $5,290 attributable to premiums paid during 2007 by the Company in connection with life insurance policies issued pursuant to the Owens-Illinois Executive Life Insurance Plan and participation agreements entered into between the Company and Mr. White; and $113 attributable to the non-qualified defined contribution match.

For Mr. Baehren, $9,098 attributable to his personal use of an automobile provided by the Company; $1,372 attributable to personal use of Company aircraft; $1,801 attributable to tax preparation and financial planning; $13,142 attributable to premiums paid during 2007 by the Company in connection with life insurance policies issued pursuant to the Owens-Illinois Executive Life Insurance Plan and participation agreements entered into between the Company and Mr. Baehren; and $62 attributable to the non-qualified defined contribution match.

For Mr. Crawford, $6,157 attributable to his personal use of an automobile provided by the Company; $9,487 attributable to premiums paid during 2007 by the Company in connection with life insurance policies issued pursuant to the Owens-Illinois Executive Life Insurance Plan and participation agreements entered into between the Company and Mr. Crawford; and $72 attributable to the non-qualified defined contribution match.

(5)

Mr. Stroucken's employment by the Company as Chairman, Chief Executive Officer and President commenced December 4, 2006.

(6)

For 2007, includes $24,000 paid to Mr. Stroucken as an automobile allowance; for 2006, includes $2,000 paid to Mr. Stroucken as an automobile allowance.

(7)

Represents a grant of unrestricted Common Stock to Mr. Stroucken pursuant to the terms of an agreement entered into between Mr. Stroucken and the Company.

(8)

Represents amount paid under the Company's Performance Award Plan in 2006. See "Compensation Discussion and Analysis Long Term Incentives" for further discussion. Amounts, if any, deferred at the election of an executive officer are included in the year earned.

(9) Represents a payment to Mr. Baehren as a Special Recognition Bonus.

(10) Includes a payment in the amount of $111,331 to Mr. Ridder under the SERCA plan in Australia. See "Compensation Discussion and Analysis Other Benefits" for further discussion.

## GRANTS OF PLAN-BASED AWARDS IN 2007

| | | Estimated Future Payouts Under Non-Equity Incentive Plan Awards(1) | | | Estimated Future Payouts Under Equity Incentive Plan Awards(2) | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Name** | **Grant Date** | **Threshold ($)** | **Target ($)** | **Maximum ($)** | **Threshold (#)** | **Target (#)** | **Maximum (#)** | **All Other Stock Awards: Number Of Shares or Units (#)(3)** | **All Other Option Awards: Number Of Securities Underlying Options (#)(4)** | **Exercise or Base Price of Option Awards ($ Per Share)(5)** | **Grant Date Fair Value of Stock and Option Awards ($)(6)** |
| Albert P. L. Stroucken(7) | 3/7/2007 | $ | $ 1,425,000 | $ 2,850,000 | 36,058 | 72,115 | 108,173 | 0 | 0 | $ 23.96 | $ 1,727,875 |
| Edward C. White | 3/7/2007 | | 278,658 | 557,316 | 4,419 | 8,837 | 13,256 | 3,756 | 18,424 | 23.96 | 481,731 |
| James W. Baehren | 3/7/2007 | | 240,149 | 480,298 | 4,419 | 8,837 | 13,256 | 3,756 | 18,424 | 23.96 | 481,731 |
| L. Richard Crawford | 3/7/2007 | | 261,450 | 522,900 | 4,419 | 8,837 | 13,256 | 3,756 | 18,424 | 23.96 | 481,731 |
| Gregory W. J. Ridder | 3/7/2007 | | 265,726 | 531,451 | 2,700 | 5,400 | 8,100 | 2,295 | 11,259 | 23.96 | 294,373 |

(1) This column shows the amounts representing the annual incentive opportunity available under the Senior Management Incentive Plan. See "Compensation Discussion and Analysis Annual Incentive" for further discussion. Amounts indicated represent percent of base salary as of December 31, 2007. Actual payouts will vary based on actual base pay earned during the performance period.

(2) This column shows the performance shares granted under the Company's Equity Participation Plan. See "Compensation Discussion and Analysis Long Term Incentives" for further discussion regarding the awards. No performance shares under this grant will be paid, if any, until 2010.

(3) This column shows the number of shares of time-based restricted stock granted in 2007 to each of the named executive officers under the Company's Equity Participation Plan. See "Compensation Discussion and Analysis Long Term Incentives" for further discussion regarding the awards. The restrictions on these shares lapse in equal annual installments on each of the first four anniversaries of the grant date.

(4) This column shows the number of stock options granted in 2007 to each of the named executive officers under the Company's Equity Participation Plan. See "Compensation Discussion and Analysis Long Term Incentives" for further discussion regarding the awards. The options vest and become exercisable in equal annual installments on each of the first four anniversaries of the grant date.

(5) This column shows the exercise price for the stock options granted in 2007, which was the closing price of the Company's Common Stock on the date the Compensation Committee granted the options.

(6) The full grant date fair value was computed in accordance with FAS 123R based on the assumptions set forth in Note 13 to the audited financial statements included in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 29, 2008. There can be no assurances that the FAS 123R amounts shown in the table will be realized by the named executive officer.

(7) Mr. Stroucken joined the Company in December 2006 and did not receive a grant of time-based restricted stock or stock options in 2007.

**OUTSTANDING EQUITY AWARDS AT FISCAL YEAR END 2007**

| | Option Awards | | | | Stock Awards | | | |
|---|---|---|---|---|---|---|---|---|
| Name | Number Of Securities Underlying Unexercised Options (#) Exercisable | Number Of Securities Underlying Unexercised Options (#) Unexercisable | Option Exercise Price ($) | Option Expiration Date | Number Of Shares or Units of Stock that Have Not Vested (#) | Market Value of Shares or Units that Have Not Vested ($)(18) | Equity Incentive Plan Awards: Number Of Unearned Shares, Units or Other Rights That Have Not Vested (#) | Equity Incentive Plan Awards: Market Value or Payout Value Of Unearned Shares, Units or Other Rights That Have Not Vested ($)(18) |
| Albert P. L. Stroucken | 317,796(1) | 0 | $ 19.58 | 12/4/2013 | 80,441(10) | $ 3,981,830 | 72,115(19) | $ 3,569,693 |
| | 85,012(2) | 255,039 | 19.58 | 12/4/2013 | | | | |
| Edward C. White | 0(3) | 18,424 | 23.96 | 3/7/2014 | 3,756(11) | 185,922 | 8,837(19) | 437,432 |
| | 6,632(4) | 19,896 | 18.25 | 2/8/2013 | 4,726(12) | 233,937 | 14,829(20) | 734,036 |
| | 7,500(5) | 7,500 | 24.17 | 3/31/2012 | 2,250(13) | 111,375 | 10,500(21) | 519,750 |
| | | | | | 10,000(14) | 495,000 | | |
| | | | | | 8,000(15) | 396,000 | | |
| | | | | | 6,000(16) | 297,000 | | |
| | | | | | 3,000(17) | 148,500 | | |
| James W. Baehren | 0(3) | 18,424 | 23.96 | 3/7/2014 | 3,756(11) | 185,922 | 8,837(19) | 437,432 |
| | 5,190(4) | 15,571 | 18.25 | 2/8/2013 | 3,699(12) | 183,101 | 11,605(20) | 574,448 |
| | 7,500(5) | 7,500 | 24.17 | 3/31/2012 | 2,250(13) | 111,375 | 10,588(21) | 524,106 |
| | 15,000(6) | 0 | 12.68 | 3/11/2014 | 15,000(14) | 742,500 | | |
| | 7,000(7) | 0 | 9.93 | 2/18/2013 | 12,000(15) | 594,000 | | |
| | 8,000(8) | 0 | 9.99 | 1/3/2012 | 10,000(16) | 495,000 | | |
| | | | | | 3,000(17) | 148,500 | | |
| L. Richard Crawford | 0(3) | 18,424 | 23.96 | 3/7/2014 | 3,756(11) | 185,922 | 8,837(19) | 437,432 |
| | 4,383(4) | 13,149 | 18.25 | 2/8/2013 | 3,123(12) | 154,589 | 9,800(20) | 485,100 |
| | 4,750(5) | 4,750 | 24.17 | 3/31/2012 | 2,000(13) | 99,000 | 9,411(21) | 465,845 |
| | 8,000(6) | 0 | 12.68 | 3/11/2014 | 12,000(14) | 594,000 | | |
| | 3,500(7) | 0 | 9.93 | 2/18/2013 | 12,000(15) | 594,000 | | |
| | 4,000(8) | 0 | 9.99 | 1/3/2012 | 10,000(16) | 495,000 | | |
| | 7,500(9) | 0 | 5.69 | 1/3/2011 | 3,000(17) | 148,500 | | |
| Gregory W. J. Ridder | 0(3) | 11,259 | 23.96 | 3/7/2014 | 2,295(11) | 113,603 | 5,400(19) | 267,300 |
| | 3,460(4) | 10,381 | 18.25 | 2/8/2013 | 2,466(12) | 122,067 | 7,737(20) | 382,982 |
| | 3,000(5) | 3,000 | 24.17 | 3/31/2012 | 450(13) | 22,275 | 3,100(21) | 153,450 |
| | 6,000(6) | 0 | 12.68 | 3/11/2014 | 4,000(14) | 198,000 | | |
| | 5,300(7) | 0 | 9.93 | 2/18/2013 | 2,000(15) | 99,000 | | |
| | 6,000(8) | 0 | 9.99 | 1/3/2012 | 2,000(16) | 99,000 | | |
| | | | | | 4,000(17) | 198,000 | | |

**Option Award Vesting Schedule**

| | Option Grant Date | Option Price | Exercisable Dates 25% | 25% | 25% | 25% |
|---|---|---|---|---|---|---|
| (1) | December 4, 2006 | $ 19.58 | 12/4/06 | 12/4/06 | 12/4/06 | 12/4/06 |
| (2) | December 4, 2006 | $ 19.58 | 12/4/07 | 12/4/08 | 12/4/09 | 12/4/10 |
| (3) | March 7, 2007 | $ 23.96 | 3/7/08 | 3/7/09 | 3/7/10 | 3/7/11 |
| (4) | February 8, 2006 | $ 18.25 | 2/8/07 | 2/8/08 | 2/8/09 | 2/8/10 |
| (5) | March 31, 2005 | $ 24.17 | 3/31/06 | 3/31/07 | 3/31/08 | 3/31/09 |
| (6) | March 10, 2004 | $ 12.68 | 3/10/05 | 3/10/05 | 3/10/05 | 8/11/05 |
| (7) | February 18, 2003 | $ 9.93 | 3/16/04 | 4/29/04 | 11/4/04 | 12/6/04 |
| (8) | January 2, 2002 | $ 9.99 | 1/31/03 | 6/9/04 | 11/5/04 | 12/6/04 |
| (9) | January 2, 2001 | $ 5.69 | 1/31/02 | 1/31/02 | 1/31/02 | 2/11/02 |

**Restricted Stock Vesting Schedule**

| | Grant Date | Vesting Terms |
|---|---|---|
| (10) | December 4, 2006 | The restriction on these shares lapse in equal annual installments on each of the first four anniversaries of the grant date. |
| (11) | March 7, 2007 | The restriction on these shares lapse in equal annual installments on each of the first four anniversaries of the grant date. |
| (12) | February 8, 2006 | The restriction on these shares lapse in equal annual installments on each of the first four anniversaries of the grant date. |
| (13) | March 31, 2005 | The restriction on these shares lapse in equal annual installments on each of the first four anniversaries of the grant date. |
| (14) | March 10, 2004 | The restrictions on these shares lapse upon the later to occur of (a) the third anniversary of the grant date, and (b) either (i) the grantee's retirement from the Company, or (ii) a termination of employment that is not initiated by, and not voluntary on the part of the grantee other than for cause. |
| (15) | February 17, 2003 | The restrictions on these shares lapse upon the later to occur of (a) the third anniversary of the grant date, and (b) either (i) the grantee's retirement from the Company, or (ii) a termination of employment that is not initiated by, and not voluntary on the part of the grantee other than for cause. |
| (16) | February 2, 2002 | The restrictions on these shares lapse upon the later to occur of (a) the third anniversary of the grant date, and (b) either (i) the grantee's retirement from the Company, or (ii) a termination of employment that is not initiated by, and not voluntary on the part of the grantee other than for cause. |
| (17) | May 17, 1999 | The restrictions on these shares lapse upon the later to occur of (a) the third anniversary of the grant date, and (b) either (i) the grantee's retirement from the Company, or (ii) a termination of employment that is not initiated by, and not voluntary on the part of the grantee other than for cause. |
| (18) | Market value is computed based on the closing price of the Company's Common Stock on the New York Stock Exchange on December 31, 2007 ($49.50), the last business day of the year. | |
| (19) | March 7, 2007 | Performance shares for the grant period of 2007-2009. The terms of these performance shares are described in the section entitled "Compensation Discussion and Analysis." |
| (20) | February 8, 2006 | Performance shares for the grant period of 2006-2008. The terms of these performance shares are described in the section entitled "Compensation Discussion and Analysis." |
| (21) | March 31, 2005 | Performance shares for the grant period of 2005-2007. The terms of these performance shares are described in the section entitled "Compensation Discussion |

| Grant Date | Vesting Terms |
| --- | --- |
| | and Analysis." |

**OPTION EXERCISES AND STOCK VESTED IN 2007**

| | Option Awards | | Stock Awards | |
|---|---|---|---|---|
| **Name** | **Number of Shares Acquired on Exercise (#)** | **Value Realized on Exercise ($)** | **Number of Shares Acquired on Vesting (#)** | **Value Realized on Vesting ($)** |
| Albert P. L. Stroucken | 0 | $ | 26,813 | $ 1,232,057 |
| Edward C. White | 43,500 | 1,175,824 | 2,700 | 65,437 |
| James W. Baehren | 51,000 | 1,086,228 | 2,358 | 57,523 |
| L. Richard Crawford | 35,000 | 802,628 | 2,041 | 49,859 |
| Gregory W. J. Ridder | 0 | 0 | 1,047 | 24,819 |

**PENSION BENEFITS**

| **Name** | **Plan Name** | **Number of Years of Credited Service (#)** | **Present Value of Accumulated Benefit ($)** | **Payments During Last Fiscal Year ($)** |
|---|---|---|---|---|
| Albert P. L. Stroucken | Salary Pension Plan | | $ | $ |
| | Supplemental Retirement Benefit Plan | 2.50(1) | 1,034,314 | 0 |
| Edward C. White | Salary Pension Plan | 32.67 | 1,098,236 | 0 |
| | Supplemental Retirement Benefit Plan | 32.67 | 1,320,999 | 0 |
| James W. Baehren | Salary Pension Plan | 15.67 | 739,405 | 0 |
| | Supplemental Retirement Benefit Plan | 15.67 | 218,819 | 0 |
| L. Richard Crawford | Salary Pension Plan | 24.42 | 656,908 | 0 |
| | Supplemental Retirement Benefit Plan | 24.42 | 58,159 | 0 |
| Gregory W. J. Ridder | Superannuation Plan | 25.42 | 1,173,441 | 0 |

(1) Mr. Stroucken's service includes 1.5 years of additional service included in the Supplemental Retirement Benefit Plan benefit, per his employment agreement described above under the heading "Employment Agreements." The additional value due to the additional service granted to Mr. Stroucken equals $620,588 for 2007.

**Assumptions:**

| | |
|---|---|
| Mortality: | No pretirement mortality is assumed. After retirement, mortality is RP 2000 projected to 2015 adjusted for white collar workforce. |
| Lump sum rate (Salary Retirement Plan): | 6.20% |
| Lump sum rate (Supplemental Retirement Benefit Plan): | 6.01% |
| Annuity Rate (Salary Retirement Plan): | 6.20% |
| Annuity Rate (Supplemental Retirement Benefit Plan): | 6.01% |

Actual 2007 pensionable earnings used (Pensionable Earnings = 2007 Base + 2007 SMIP)

Salaried benefits accrued prior to December 31, 2004 and all SERP benefits are assumed to be taken as a lump sum. Benefits accrued after December 31, 2004 are assumed to be taken as an annuity.

**NON-QUALIFIED DEFERRED COMPENSATION (1)**

| Name | Executive Contributions in Last FY ($)(2) | Registrant Contributions in Last FY ($)(3) | Aggregate Earnings in Last FY ($)(4) | Aggregate Withdrawals / Distributions ($) | Aggregate Balance at Last FYE ($) |
|---|---|---|---|---|---|
| Albert P. L. Stroucken | $ | $ | $ | $ | $ |
| Edward C. White | 50,412 | 10,613 | 6,098 | 0 | 168,468 |
| James W. Baehren | 11,557 | 5,778 | 3,531 | 0 | 86,341 |
| L. Richard Crawford | 16,895 | 6,758 | 963 | 0 | 39,608 |
| Gregory W. J. Ridder(5) | | | | | |

(1) Participants may defer up to 19% of base salary into the Executive Deferred Savings Plan. Deferrals, including the Company match on such deferrals, may be credited to a "cash deferral account" or a "stock deferral account" at the individual's election. Interest is credited in the "cash" account, compounded monthly, at a rate equal to the average annual yield on domestic corporate bonds of Moody's A-rated companies. The "stock" account is credited with a number of stock units equal in value to the amount of amounts specified to be credited to each respective account, and the value of such account is determined by reference to the closing price of the Company's stock on the prinicipal exchange on which Company stock is traded on the day before the date on or as of whcih such value is being determined or, if no Company stock was traded on such day, then on the next preceding trading day on which Company stock was so traded. Upon any termination of employment, the account balance is paid out in its entirety as soon as practical following such termination.

(2) Amounts in this column are included in the named executive officer's base salary on the "Summary Compensation Table."

(3) Amounts in this column are included in the "All Other Compensation" column on the "Summary Compensation Table."

(4) Amounts in this column are not included in any of the amounts reported on the "Summary Compensation Table."

(5) Mr. Ridder is not eligible to participate in this plan.

## POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE IN CONTROL

The following tables show the amount of compensation that may be paid to each named executive officer upon voluntary termination, early retirement, normal retirement, involuntary termination not for cause, change in control, for-cause termination, disability, or death. The amounts shown assume a termination date effective December 31, 2007, the last business day of the year. For payments made pursuant to stock option, restricted stock, or performance unit awards, the amount earned by each named executive upon retirement differs whether they are eligible for early or normal retirement. As a result, the table reflects only that amount they were eligible for at December 31, 2007.

Unless specifically noted, each of the payments described below are the same for any salaried employee of the Company.

**Payments Made Upon Termination**

Payments made upon termination for any reason include:

- Amounts accrued and vested through the Salary Retirement Plan, Supplemental Benefit Retirement Plan and the Superannuation Plan (in the case of Mr. Ridder).

- In the case of Mr. Ridder, statutory entitlements of unused annual leave and long service leave.

- Stock options that are already vested at the date of termination.

**Payments Made Upon Retirement**

In addition to the above, payments made upon retirement include:

- In the event of normal retirement (age 65), stock options granted in 2004 and earlier are immediately vested and are exercisable for three months post-retirement. In the event of normal retirement (age 65) or early retirement post-age 60, options granted in 2005 and later continue normal vesting and are exercisable through their term.

- In the event of normal retirement, restricted stock awards granted in 2004 and earlier vest at retirement. Where the restrictions have not yet lapsed, restricted stock awards granted in 2005 and later are forfeited in the case of any retirement.

- In the event of normal retirement or early retirement post-age 60, performance units are immediately vested and any payout earned will be paid following the related three-year cycle.

- In the event of any retirement, Mr. Baehren, Mr. Crawford and Mr. White are eligible to participate in the Company's retiree medical plan for U. S. employees. This plan provides both pre- and post-age 65 coverage to employees and their spouse. The plan was closed to new entrants effective January 1, 2003; as a result, Mr. Stroucken is not eligible to participate in this plan. Mr. Ridder is not eligible to participate in this plan as he is not a U. S. employee.

**Payments Made Upon Involuntary Termination Not For Cause or Change in Control**

In addition to that noted under Payments Made Upon Termination, each named executive officer is eligible for the following:

In the event of Involuntary Termination Not For Cause, restricted stock awards granted in 2004 and earlier vest at termination. Restricted stock awards granted in 2005 and later are forfeited.

In the event of Involuntary Termination Not For Cause, there is immediate vesting on a pro-rata share of performance shares, with any payout made after the applicable performance cycle.

In the event of a change in control, all previously unvested stock options, restricted stock awards, and performance shares will immediately vest.

In the event of Involuntary Termination Not For Cause, Mr. Stroucken is eligible for severance in the amount of two times annual base salary plus target bonus, payable over 24 months and continued health care coverage for 24 months at the same rate as active employees unless enrolled for coverage in another employer's health plan. Such severance is subject to release and continued compliance with a 2 year non-compete / non-solicitation and confidentiality requirements.

In the event of a termination without cause within one year after a Change in Control, Mr. Stroucken is eligible for those benefits noted above in the event of Involuntary Termination Not For Cause, with protection against negative excise tax.

In the event of Involuntary Termination Not For Cause, Messrs. Baehren, Crawford and White are eligible for severance in the amount of one times annual base salary, any SMIP earned (based on actual business results and funding, not adjusted up or down for the 20% discretionary component) during the severance period, and 12 months of continued health care coverage for themselves and their dependents at the same rate as active employees, per the terms of severance agreements entered into between the Company and each executive officer. Such severance is subject to release and continued compliance with a one year non-compete / non-solicitation agreement.

In the event of involuntary termination not for cause, Mr. Ridder is eligible for severance in the amount of four weeks pay per year of service and notice in the amount of six months pay.

**Payments Made Upon Death or Disability**

In the event of disability, each named executive officer, with the exception of Mr. Ridder, is eligible to participate in the Company's Long Term Disability plan for salaried U. S. employees. This plan pays participants 70% of their base salary plus target bonus for the duration of their disability, or until age 65. Mr. Ridder is not eligible to participate in this plan as he is not a U. S. employee.

In the event of disability, each named executive officer, with the exception of Mr. Ridder, receives continued coverage under the Company's health care plan for active employees for the duration of their coverage under the Company's long term disability plan.

In the event of death or disability, all stock options, restricted stock and performance share awards are immediately vested. Any payout of performance shares is made at the completion of the appropriate performance cycle.

The named executive officers participate in a life insurance program that differs from that offered to most salaried employees of the Company. For U. S. named executive officers, the benefit payable to the beneficiary upon death is three times annual base salary. For Mr. Ridder, the benefit payable to his beneficiary upon death is $400,000.

The following table represents payments that may be paid to Mr. Stroucken under the various termination scenarios:

| | Voluntary Termination on 12/31/07 | Early Retirement on 12/31/07 | Normal Retirement on 12/31/07 | Involuntary Termination Not For Cause on 12/31/07 | Change In Control on 12/31/07 | For Cause Termination on 12/31/07 | Disability on 12/31/07 | Death on 12/31/07 |
|---|---|---|---|---|---|---|---|---|
| **Compensation** | | | | | | | | |
| Short-term (annual) Incentive Compensation (SMIP) | | | | $ 2,850,000 | $ 2,850,000 | | $ 2,850,000 | |
| Stock Options | $ 12,052,015 | | | 12,052,015 | 19,682,782 | $ 12,052,015 | 19,682,782 | $ 19,682,782 |
| Performance Shares | | | | 1,189,898 | 3,569,693 | | 3,569,693 | 3,569,693 |
| Restricted Stock Awards | | | | | 3,981,830 | | 3,981,830 | 3,981,830 |
| **Benefits and Perquisites** | | | | | | | | |
| Retirement Plans | | $ 1,151,674 | | 1,034,000 | 1,034,000 | | 1,034,000 | 2,727,000 |
| Health & Welfare Benefits | | | | 20,000 | 20,000 | | 49,400 | 20,000 |
| Disability Income | | | | | | | 6,647,445 | |
| Life Insurance Benefits | | | | | | | | 2,850,000 |
| Excise Tax & Gross-Up | | | | | 5,008,552 | | | |
| Cash Severance | | | | 1,900,000 | 1,900,000 | | 1,900,000 | |

### Assumptions

No pre-retirement mortality is assumed. After retirement, mortality is RP 2000 projected to 2015 adjusted for white collar workforce. For the portion of the benefit assumed to be received as a lump sum, the applicable IRS lump sum mortality table is used.

### Benefits Payable

Mr. Stroucken is not eligible for the Salary Retirement Plan. Pursuant to the terms of his employment agreement as described above under the heading "Compensation Discussion and Analysis  CEO Compensation," Mr. Stroucken is eligible to receive his accrued benefit without five years of service, except in the cases of voluntary termination and for cause termination.

The following table represents payments that may be paid to Mr. White under the various termination scenarios:

| | Voluntary Termination on 12/31/07 | Early Retirement on 12/31/07 | Normal Retirement on 12/31/07 | Involuntary Termination Not For Cause on 12/31/07 | Change In Control on 12/31/07 | For Cause Termination on 12/31/07 | Disability on 12/31/07 | Death on 12/31/07 |
|---|---|---|---|---|---|---|---|---|
| **Compensation** | | | | | | | | |
| Short-term (annual) Incentive Compensation (SMIP) | | | | $ 280,031 | | | | |
| Stock Options | $ 397,225 | $ 1,679,499 | | 397,225 | $ 1,679,499 | $ 397,225 | $ 1,679,499 | $ 1,679,499 |
| Performance Shares | | 1,691,217 | | 1,154,918 | 1,691,217 | | 1,691,217 | 1,691,217 |
| Restricted Stock Awards | 1,336,500 | 1,336,500 | | 1,336,500 | 1,867,734 | 1,336,500 | 1,867,734 | 1,867,734 |
| **Benefits and Perquisites** | | | | | | | | |
| Retirement Plans | 2,630,000 | 3,403,000 | | 2,630,000 | 2,630,000 | 2,630,000 | 2,630,000 | 3,403,000 |
| Health & Welfare Benefits | | 459,000 | | 10,000 | 10,000 | | 410,000 | 24,000 |
| Disability Income | | | | | | | 1,873,318 | |
| Life Insurance Benefits | | | | | | | | 1,200,132 |
| Excise Tax & Gross-Up | | | | | | | | |
| Cash Severance | | | | 400,044 | | | | |

**Assumptions**

No pre-retirement mortality is assumed. After retirement, mortality is RP 2000 projected to 2015 adjusted for white collar workforce. For the portion of the benefit assumed to be received as a lump sum, the applicable IRS lump sum mortality table is used.

Salaried benefits accrued prior to December 31, 2004 and all SERP benefits are assumed to be taken as a lump sum. Salaried Plan benefits accrued after December 31, 2004 are assumed to be taken as an annuity. The Company previously entered into an agreement with Mr. White under which the Company agreed that the interest rate applicable to his pension lump sum calculation at the time of his retirement would be the interest rate applicable to retirements at that time or the 4.37% interest rate applicable at the time of the execution of the agreement conditioned upon his agreement to remain employed by the Company through a certain date. Mr. White has met that condition. As a result, the interest rate used for lump sums and annuities in the salary plan is 6.20% and the interest rate used for lump sums in the SERP is 4.37%.

**Benefits Payable**

*Termination benefits* represent the value of the pension benefits as if the participant terminates on December 31, 2007 and commences payment at normal retirement date. There are no provisions in the pension plans that are contingent on the type of termination. Since retiree health and welfare benefits must be elected immediately or forfeited, no retiree health and welfare benefits are shown.

*Earliest retirement benefits* represent the value of the pension benefits as if the participant retires on December 31, 2007 and commences payment as soon as possible. Since Mr. White is currently eligible to retire, this value represents commencement at December 31, 2007. The health and welfare benefits represent the value of the postretirement medical and executive retiree life insurance benefits as if the participant retires as of December 31, 2007 and immediately elects coverage.

*Disability benefits* represent the value of benefits as if the participant becomes disabled on December 31, 2007. Pension benefits reflect accrued benefits payable at age 65. Health and welfare benefits represent retiree medical and life insurance benefits commencing at age 65 for those eligible to retire at December 31, 2007.

*Death benefits* represent the value of benefits as if the participant became deceased on December 31, 2007. Pension benefits reflect an immediate lump sum payable to the spouse equal to the greater of the lump sum value of the participant's immediate retirement benefit, or the lump sum value of 25% of the participant's earnings. Health and welfare benefits represent retiree medical benefits for the spouse if the participant was retirement eligible as of December 31, 2007.

The following table represents payments that may be paid to Mr. Baehren under the various termination scenarios:

| | Voluntary Termination on 12/31/07 | Early Retirement on 12/31/07 | Normal Retirement on 12/31/07 | Involuntary Termination Not For Cause on 12/31/07 | Change In Control on 12/31/07 | For Cause Termination on 12/31/07 | Disability on 12/31/07 | Death on 12/31/07 |
|---|---|---|---|---|---|---|---|---|
| **Compensation** | | | | | | | | |
| Short-term (annual) Incentive Compensation (SMIP) | | | | $ 241,332 | | | | |
| Stock Options | $ 1,497,533 | | | 1,497,533 | $ 2,644,650 | $ 1,497,533 | $ 2,644,650 | $ 2,644,650 |
| Performance Shares | | | | 1,052,882 | 1,535,985 | | 1,535,985 | 1,535,985 |
| Restricted Stock Awards | 1,980,000 | $ 1,980,000 | $ 2,460,398 | 1,980,000 | 2,460,398 | 1,980,000 | 2,460,398 | 2,460,398 |
| **Benefits and Perquisites** | | | | | | | | |
| Retirement Plans | 958,000 | 1,401,000 | | 958,000 | 958,000 | 958,000 | 958,000 | 1,401,000 |
| Health & Welfare Benefits | | 434,000 | | 13,400 | 13,400 | | 364,000 | 32,000 |
| Disability Income | | | | | | | 2,584,831 | |
| Life Insurance Benefits | | | | | | | | 1,113,840 |
| Excise Tax & Gross-Up | | | | | | | | |
| Cash Severance | | | | 371,280 | | | | |

**Assumptions**

No pre-retirement mortality is assumed. After retirement, mortality is RP 2000 projected to 2015 adjusted for white collar workforce. For the portion of the benefit assumed to be received as a lump sum, the applicable IRS lump sum mortality table is used.

Salaried benefits accrued prior to 12/31/2004 and all SERP benefits are assumed to be taken as a lump sum. Salareid Plan benefits accrued after 12/31/2004 are assumed to be taken as an annuity. The interest rate used for lump sums and annuities in the salary plan is 6.20% and the interest rate used for lump sums in the SERP is 6.01%.

**Benefits Payable**

*Termination benefits* represent the value of the pension benefits as if the participant terminates on December 31, 2007 and commences payment at normal retirement date. There are no provisions in the pension plans that are contingent on the type of termination. Since retiree health and welfare benefits must be elected immediately or forfeited, no retiree health and welfare benefits are shown.

*Earliest retirement benefits* represent the value of the pension benefits as if the participant retires on December 31, 2007 and commences payment as soon as possible. Since Mr. Baehren is currently eligible to retire, this value represents commencement at December 31, 2007. The health and welfare benefits represent the value of the postretirement medical and executive retiree life insurance benefits as if the participant retires as of December 31, 2007 and immediately elects coverage.

*Disability benefits* represent the value of benefits as if the participant becomes disabled on December 31, 2007. Pension benefits reflect accrued benefits payable at age 65. Health and welfare benefits represent retiree medical and life insurance benefits commencing at age 65 for those eligible to retire at December 31, 2007.

*Death benefits* represent the value of benefits as if the participant became deceased on December 31, 2007. Pension benefits reflect an immediate lump sum payable to the spouse equal to the greater of the lump sum value of the participant's immediate retirement benefit, or the lump sum value of 25% of the participant's earnings. Health and welfare benefits represent retiree medical benefits for the spouse if the participant was retirement eligible as of December 31, 2007.

The following table represents payments that may be paid to Mr. Crawford under the various termination scenarios:

| | Voluntary Termination on 12/31/07 | Early Retirement on 12/31/07 | Normal Retirement on 12/31/07 | Involuntary Termination Not For Cause on 12/31/07 | Change In Control on 12/31/07 | For Cause Termination on 12/31/07 | Disability on 12/31/07 | Death on 12/31/07 |
|---|---|---|---|---|---|---|---|---|
| **Compensation** | | | | | | | | |
| Short-term (annual) Incentive Compensation (SMIP) | | | | $ 301,000 | | | | |
| Stock Options | $ 1,176,975 | | | 1,176,975 | $ 2,178,748 | $ 1,176,975 | $ 2,178,748 | $ 2,178,748 |
| Performance Shares | | | | 935,055 | 1,388,376 | | 1,388,376 | 1,388,376 |
| Restricted Stock Awards | | | | 1,831,500 | 2,271,011 | | 2,271,011 | 2,271,011 |
| **Benefits and Perquisites** | | | | | | | | |
| Retirement Plans | 715,000 | | $ 715,000 | 715,000 | 715,000 | 715,000 | 715,000 | 720,000 |
| Health & Welfare Benefits | | | | 13,400 | 13,400 | | 67,100 | 6,700 |
| Disability Income | | | | | | | 5,765,675 | |
| Life Insurance Benefits | | | | | | | | 1,290,000 |
| Excise Tax & Gross-Up | | | | | | | | |
| Cash Severance | | | | 430,000 | | | | |

**Assumptions**

No pre-retirement mortality is assumed. After retirement, mortality is RP 2000 projected to 2015 adjusted for white collar workforce. For the portion of the benefit assumed to be received as a lump sum, the applicable IRS lump sum mortality table is used.

Salaried benefits accrued prior to December 31, 2004 and all SERP benefits are assumed to be taken as a lump sum. Salareid Plan benefits accrued after December 31, 2004 are assumed to be taken as an annuity. The interest rate used for lump sums and annuities in the salary plan is 6.20% and the interest rate used for lump sums in the SERP is 6.01%.

**Benefits Payable**

*Termination benefits* represent the value of the pension benefits as if the participant terminates on December 31, 2007 and commences payment at normal retirement date. There are no provisions in the pension plans that are contingent on the type of termination. Since retiree health and welfare benefits must be elected immediately or forfeited, no retiree health and welfare benefits are shown.

*Earliest retirement benefits* represent the value of the pension benefits as if the participant retires on December 31, 2007 and commences payment as soon as possible. Since Mr. Crawford is not currently eligible to retire, this value represents commencement at normal retirement. The health and welfare benefits represent the value of the postretirement medical and executive retiree life insurance benefits as if the participant retires as of December 31, 2007 and immediately elects coverage. Since Mr. Crawford is not eligible for retiree health and welfare benefits as of December 31, 2007, no values are shown.

*Disability benefits* represent the value of benefits as if the participant becomes disabled on December 31, 2007. Pension benefits reflect accrued benefits payable at age 65. Health and welfare benefits represent retiree medical and life insurance benefits commencingat age 65 for those eligible to retire at December 31, 2007.

*Death benefits* represent the value of benefits as if the participant became deceased on December 31, 2007. Pension benefits reflect an immediate lump sum payable to the spouse equal to the greater of the lump sum value of the participant's immediate retirement benefit, or the lump sum value of 25% of the participant's earnings. Health and welfare benefits represent retiree medical benefits for the spouse if the participant was retirement eligible as of December 31, 2007.

The following table represents payments that may be paid to Mr. Ridder under the various termination scenarios:

| | Voluntary Termination on 12/31/07 | Early Retirement on 12/31/07 | Normal Retirement on 12/31/07 | Involuntary Termination Not For Cause on 12/31/07 | Change In Control on 12/31/07 | For Cause Termination on 12/31/07 | Disability on 12/31/07 | Death on 12/31/07 |
|---|---|---|---|---|---|---|---|---|
| **Compensation** | | | | | | | | |
| Short-term (annual) Incentive Compensation (SMIP) | | | | | | | | |
| Stock Options | $ 851,816 | | | $ 851,816 | $ 1,539,767 | $ 851,816 | $ 1,539,767 | $ 1,539,767 |
| Performance Shares | | | | 497,871 | 803,732 | | 803,732 | 803,732 |
| Restricted Stock Awards | | | | 594,000 | 851,945 | | 851,945 | 851,945 |
| **Benefits and Perquisites** | | | | | | | | |
| Retirement Plans | 1,173,441 | $ 1,641,167 | $ 1,641,167 | 1,173,441 | 1,173,441 | 1,173,441 | 2,158,783 | 2,158,783 |
| Health & Welfare Benefits | | | | | | | | |
| Disability Income | | | | | | | 422,544 | |
| Life Insurance Benefits | | | | | | | | 400,000 |
| Statutory Benefits | 496,948 | 496,948 | 496,948 | 496,948 | 496,948 | 496,948 | 496,948 | 496,948 |
| Excise Tax & Gross-Up | | | | | | | | |
| Cash Severance | | | | 1,158,265 | 1,158,265 | | | |

**Benefits Payable**

Termination benefits represent the value of the pension benefits as if the participant terminates on December 31, 2007. Since the plan is a cash balance type plan, benefits are fully accrued and payable after 20 year of service.

Disability benefits represent two years payment from the superannuation plan plus full superannuation benefits as if the participant becomes disabled on December 31, 2007.

Death benefits represent the value of benefits as if the partipant became deceased on December 31, 2007.

**AUDIT COMMITTEE REPORT**

As part of its ongoing activities, which are described under the heading "Proposal 1: Election of Directors Committees of the Board of Directors Audit Committee," the Audit Committee has:

- discussed with the Company's director of internal audit and Ernst & Young LLP, the Company's independent registered public accounting firm, the overall scope and plans for their respective audits;

- reviewed and discussed with management and the independent registered public accounting firm the Company's audited financial statements and the independent registered public accounting firm's evaluation of the Company's system of internal control over financial reporting contained in the 2007 Annual Report on Form 10-K;

- discussed with the independent registered public accounting firm the matters required to be discussed by Statement on Auditing Standards No. 61 (Communication with Audit Committees) and other professional standards;

- received from the independent registered public accounting firm the written disclosures and the letter required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees);

- discussed with the independent registered public accounting firm its independence from the Company and its management; and

- met with the director of internal audit and the independent registered public accounting firm, with and without management present, to discuss the above matters and the overall quality of the Company's financial reporting.

On the basis of the review and discussions referred to above, the Audit Committee recommended to the Board of Directors that the audited financial statements be included in the Company's Annual Report on Form 10-K for the period ended December 31, 2007, for filing with the Securities and Exchange Commission. Also, the Audit Committee has selected Ernst & Young LLP as the Company's independent registered public accounting firm for 2008.

The Audit Committee also concluded that the independent registered public accounting firm's provision of non-audit services, as described in the following section, to the Company and its affiliates is compatible with the independent registered public accounting firm's independence.

Gary F. Colter, Chair
Peter S. Hellman
Dennis K. Williams

## INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

In accordance with the Securities and Exchange Commission's auditor independence rules, the Audit Committee has adopted procedures for pre-approving all non-audit services performed by Ernst & Young LLP. Those procedures are set forth below under the heading "Pre-Approval of Independent Registered Public Accounting Firm Services."

**Fees Paid to Ernst & Young LLP**

The aggregate fees for professional services provided by Ernst & Young LLP to the Company in 2007 and 2006 for these various services were:

| Type of Fees | 2007 | 2006 |
|---|---|---|
| | ($ in millions) | |
| Audit Fees | $ 9.17 | $ 8.77 |
| Audit-Related Fees | 1.85 | 3.41 |
| Tax Fees | .95 | .95 |
| All Other Fees | | |
| Total | $ 11.97 | $ 13.13 |

In the above table: (a) "audit fees" were for the audit and quarterly reviews of the consolidated accounts, attestation report on internal control required by Section 404 of the Sarbanes-Oxley Act of 2002 ("SOx Section 404"), statutory audits of international subsidiaries, audits of subsidiaries whose securities are pledged as collateral and services related to SEC filings and non-SEC offerings (2007 only); (b) "audit-related fees" were for audits of employee benefit plans, audit procedures for divested businesses (2007 only), agreed-upon procedures for third parties (2007 only), SOx Section 404 advisory services (2006 only), and other accounting consultations; and (c) "tax fees" were for expatriate tax compliance and advisory services, tax return preparation, federal, state and local tax planning, and international tax planning and advice. All fees for professional services by Ernst & Young LLP were approved in advance under the Board's pre-approval policy.

**Pre-Approval of Independent Registered Public Accounting Firm Services**

No services will be provided to the Company that are specifically prohibited by the Sarbanes-Oxley Act of 2002. Permitted services will be pre-approved by the Audit Committee of the Board of Directors as follows:

***Statement of Principles***

The Audit Committee is required to pre-approve the audit and non-audit services performed by the independent registered public accounting firm in order to assure that they do not impair the firm's independence from the Company. Unless a type of service has received pre-approval, it will require separate pre-approval by the Audit Committee if it is to be provided by the independent registered public accounting firm. Any proposed services exceeding pre-approved cost levels will also require separate pre-approval by the Audit Committee.

This Policy describes the Audit, Audit-Related, Tax, and All Other services that have the pre-approval of the Audit Committee. For non-audit services, Company management will submit to the Committee for approval a list of non-audit services that it recommends the Committee engage the independent registered public accounting firm to provide for the fiscal year. The term of any pre-approval is for 12 months, unless the Audit Committee considers a different period and states otherwise. The Audit Committee will from time to time review and, if necessary, revise the list of pre-approved services based on subsequent determinations.

***Delegation***

The Audit Committee may delegate either type of pre-approval authority to one or more of its members. The member or members to whom such authority is delegated must report, for informational purposes only, any pre-approval decisions to the Audit Committee at its next scheduled meeting. The Audit Committee does not delegate its responsibilities to pre-approve services performed by the independent registered public accounting firm to management.

***Audit Services***

The annual Audit services engagement terms and fees will be subject to separate pre-approval of the Audit Committee. The Audit Committee will approve, if necessary, any changes in terms, conditions and fees resulting from changes in audit scope, Company structure or other items.

In addition to the annual Audit services engagement approved by the Audit Committee, the Audit Committee may grant pre-approval for other Audit services, which are those services that only the independent registered public accounting firm reasonably can provide. Company management will submit to the Committee for approval the list of Audit services that it recommends the Committee engage the independent registered public accounting firm to provide for the fiscal year. All other Audit services not pre-approved must be separately pre-approved by the Audit Committee.

***Audit-related Services***

Audit-related services are assurance and related services that are reasonably related to the performance of the audit of the Company's financial statements and that are traditionally performed by the independent registered public accounting firm. The Audit Committee believes that the provision of Audit-related services does not impair the independence of the firm and is consistent with the SEC's rules on auditor independence.

Company management will submit to the Committee for approval the list of Audit-related services that it recommends the Committee engage the independent registered public accounting firm to provide for the fiscal year. All other Audit-related services not pre-approved must be separately pre-approved by the Audit Committee.

***Tax Services***

The Audit Committee believes that the independent registered public accounting firm can provide Tax services to the Company such as tax compliance, tax planning and tax advice without impairing the firm's independence.

Company management will submit to the Committee for approval the list of Tax services that it recommends the Committee engage the independent registered public accounting firm to provide for the fiscal year. All Tax services involving large and complex transactions not pre-approved must be separately pre-approved by the Audit Committee.

***All Other Services***

The Audit Committee will separately pre-approve those permissible non-audit services classified as All Other Services that it believes are routine and recurring services, and would not impair the independence of the firm.

A list of the SEC's prohibited non-audit services is set forth below. The SEC's rules and relevant guidance should be consulted to determine the precise definitions of these services and the applicability of exceptions to certain of the prohibitions.

***Pre-Approval Fee Levels or Budgeted Amounts***

Pre-approval fee levels or budgeted amounts for all services to be provided by the independent registered public accounting firm will be established periodically by the Audit Committee. Any proposed services exceeding these levels or amounts will require separate pre-approval by the Audit Committee.

***Procedures***

Requests or applications to provide services that require separate approval by the Audit Committee will be submitted to the Audit Committee by both the independent registered public accounting firm and the chief financial officer, and must include a joint statement as to whether, in their view, the request or application is consistent with the SEC's rules on auditor independence. The Committee will be informed routinely as to the non-audit services actually provided by the independent registered public accounting firm pursuant to this policy.

***Supporting Documentation***

With respect to each proposed pre-approval service, the independent registered public accounting firm will provide to the Audit Committee, as requested, detailed back-up documentation, which will be provided to the Audit Committee, regarding the specific services to be provided.

***Prohibited Non-Audit Services***

- Bookkeeping or other services related to the accounting records or financial statements of the audit client
- Financial information systems design and implementation
- Appraisal or valuation services, fairness opinions or contribution-in-kind reports
- Actuarial services
- Internal audit outsourcing services
- Management functions
- Human resources
- Broker-dealer, investment adviser or investment banking services
- Legal services
- Expert services unrelated to the audit

**PROPOSAL 2:**
**RATIFICATION OF SELECTION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

Ernst & Young LLP has served as the Company's independent registered public accounting firm since 1987, and the Audit Committee has selected Ernst & Young LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2008.

Although the Board is not required to submit the Audit Committee's selection of Ernst & Young LLP as the Company's independent registered public accounting firm for share owner approval, the Board has elected to seek ratification by the share owners of the Audit Committee's selection of Ernst & Young LLP as the Company's independent registered public accounting firm for 2008. In the event the Company's share owners do not ratify the selection of Ernst & Young LLP, the Audit Committee will reconsider its recommendation.

A representative of Ernst & Young LLP is expected to attend the Annual Meeting, and the representative will have an opportunity to make a statement if he or she so desires, and will also be available to respond to appropriate questions from share owners.

The Board recommends that you vote **FOR** the ratification of the selection of Ernst & Young LLP as the Company's independent registered public accounting firm for 2008.

## SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information regarding the beneficial ownership of Common Stock as of February 15, 2008 (except as otherwise noted in the footnotes below) by each beneficial owner of more than five percent of the outstanding Common Stock known to the Company, each of the Company's directors, named executive officers and all directors and executive officers as a group. L. Richard Crawford owns 200 shares of the Company's $2.375 Convertible Preferred Stock, which shares are reflected in the totals shown below at a conversion rate of 0.9491 shares of Common Stock for each share of Convertible Preferred Stock. No other director, nominee for director, named executive officer or other executive officer beneficially owned any Convertible Preferred Stock.

| Name and Address of Beneficial Owner | Number of Shares Beneficially Owned(1) | Percentage |
|---|---|---|
| Janus Capital Management LLC(2)<br>151 Detroit Street<br>Denver, Colorado 80206 | 23,290,991 | 14.9 |
| Wellington Management Company, LLP(3)<br>75 State Street<br>Boston, Massachusetts 02109 | 14,646,461 | 9.3 |
| AXA Financial Inc.(4)<br>1290 Avenue of the Americas<br>New York, New York 10104 | 11,111,990 | 7.1 |
| FMR Corp.(5)<br>82 Devonshire Street<br>Boston, Massachusetts 02109 | 9,681,500 | 6.2 |
| James W. Baehren(1) | 125,280(6)(7) | * |
| Gary F. Colter | 10,812(7) | * |
| L. Richard Crawford(1) | 124,145(6)(7) | * |
| Peter S. Hellman | 1,518(7) | * |
| Anastasia D. Kelly(1) | 20,812(7) | * |
| John J. McMackin, Jr.(1) | 29,440(7) | * |
| Corbin A. McNeill, Jr. | 7,366(7) | * |
| Gregory W. J. Ridder(1) | 48,628(8) | * |
| Hugh H. Roberts | 370 | * |
| Albert P. L. Stroucken(1) | 611,283(7) | * |
| Helge H. Wehmeier | 17,916(7) | |
| Edward C. White(1) | 99,746(6)(7) | * |
| Dennis K. Williams | 4,359(7) | * |
| Thomas L. Young | 6,154(7) | * |
| All directors and executive officers as a group (14 persons)(1) | 1,107,829(6)(7) | * |

* Indicates less that one percent (1%) ownership.

(1)

For purposes of this table, a person or group of persons is deemed to have "beneficial ownership" of any shares as of a given date if such person has the right to acquire such shares within 60 days after such date. For purposes of computing the percentage of outstanding shares held by each person or group of persons named above on a given date, any security which such person or persons has the right to acquire within 60 days after such date is deemed to be outstanding, but is not deemed to be outstanding for the purpose of computing the percentage ownership of any other person. The information includes: all currently exercisable options granted to Ms. Kelly and Messrs. Baehren, Crawford, McMackin, Ridder, Stroucken and White, and all directors and officers as a group. The number of shares beneficially owned includes the following shares subject to granted options:

| **Director/Officer** | **Options** |
|---|---|
| James W. Baehren | 41,236 |
| L. Richard Crawford | 43,497 |
| Anastasia D. Kelly | 10,000 |
| John J. McMackin, Jr | 10,000 |
| Gregory W. J. Ridder | 31,534 |
| Albert P. L. Stroucken | 402,808 |
| Edward C. White | 29,120 |
| All directors and executive officers as a group | 568,195 |

(2)

The Schedule 13G received by the Company from Janus Capital Management LLC ("Janus"), indicating that Janus is the beneficial owner of 23,290,991 shares of the Common Stock, with sole power to vote or to direct the vote on 19,815,254 shares, shared power to vote or direct the vote on 3,475,737, the sole power to dispose or to direct the disposition of 19,815,254 shares and the shared power to dispose or to direct the disposition of 3,475,737 shares. Janus Contrarian Fund, an investment company registered under the Investment Company Act of 1940 and one of the managed portfolios to which Janus provides investment advice, is the beneficial owner of 10,918,745 shares of the Common Stock, with sole power to vote or to direct the vote on 10,918,745 shares, and the sole power to dispose or to direct the disposition of 10,918,745 shares.

(3)

The Schedule 13G received by the Company from Wellington Management Company, LLP ("Wellington Management") indicated that Wellington Management, in its capacity as investment advisor, is the beneficial owner of 14,646,461 shares of the Common Stock, with shared power to vote or to direct the vote on 9,668,807 shares and the shared power to dispose or to direct the disposition of 14,614,261. The shares are held of record by clients of Wellington Management.

(4)

The Schedule 13G received by the Company from AXA Financial, Inc. ("AFI"), filing jointly on behalf of itself and AXA Assurances I.A.R.D. Mutuelle, AXA Assurances Vie Mutuelle and AXA Courtage Assurance Mutuelle (the "Mutuelles AXA"), and AXA indicated that (a) the Mutuelles AXA and AXA are each the beneficial owner of 11,111,990 shares of the Common Stock, with sole power to vote or to direct the vote on 6,528,363 shares, shared power to vote or direct the vote on 494,659, the sole power to dispose or to direct the disposition of 11,111,977 shares and the shared power to dispose or to direct the disposition of 13 shares; (b) AFI is the beneficial owner of 7,778,736 shares of the Common Stock, with sole power to vote or to direct the vote on 5,225,640 shares, shared power to vote or direct the vote on 494,659 shares, the sole power to dispose or to direct the disposition of 7,778,723 shares and the shared power to dispose or to direct the disposition of 13 shares; (c) AllianceBernstein L.P. is deemed to have sole power to vote or direct the vote on 5,222,940 shares, is deemed to have shared power to vote or direct the vote on 494,659 shares, is deemed to have the sole power to dispose or to direct the disposition of 7,776,023 shares and the shared power to dispose or to direct the disposition of 13 shares; (d) AXA Rosenberg Investment Management LLC is deemed to have sole power to vote or direct the vote on 1,287,545 shares and is deemed to have the sole power to dispose or to direct the disposition of 3,318,076 shares; (e) AXA Investment Managers Paris is deemed to have sole power to vote or direct the vote on 2,718 shares and is deemed to have the sole power to dispose or to direct the disposition of 2,718 shares; (f) AXA Equitable Life Insurance Company is deemed to have sole power to vote or direct the vote on 2,700 shares and is deemed to have the sole power to dispose or to direct the disposition of 2,700 shares; and (g) AXA Konzern AG is deemed to have sole power to dispose or to direct the disposition of 12,460 shares and is deemed to have the sole power to dispose or to direct the disposition of 12,460 shares.

(5) The Schedule 13G received by the Company from FMR Corp. ("FMR"), Edward C. Johnson 3d, Abigail P. Johnson and Fidelity Management & Research Company ("Fidelity"), a wholly-owned subsidiary of FMR, indicated that FMR is the beneficial owner of 9,681,500 shares of the Common Stock, with sole power to vote or to direct the vote of 13,350 shares and the sole power to dispose or to direct the disposition of 9,681,500. Fidelity is the beneficial owner of 9,463,750 shares of the Common Stock as a result of acting as investment adviser to various investment companies registered under Section 8 of the Investment Company Act of 1940. That number includes 309,862 shares of Common Stock resulting from the assumed conversion of 326,480 shares of the Company's $2.375 Convertible Preferred Stock (0.9491 shares of Common Stock for each share of Convertible Preferred Stock). Strategic Advisers, Inc., a wholly-owned subsidiary of FMR and an investment adviser registered under Section 203 of the Investment Advisers Act of 1940, provides investment advisory services to individuals, and, as such, FMR beneficial ownership includes 150 shares of Common Stock beneficially owned through Strategic Advisers, Inc. Pyramis Global Advisors, LLC ("PGALLC"), an indirect wholly-owned subsidiary of FMR is the beneficial owner of 181,500 shares of Common Stock as a result of its serving as investment manager of the institutional account(s). Edward C. Johnson 3d and FMR, through its control of PGALLC, each has sole dispositive power over 181,500 shares and sole power to vote or to direct the voting of 11,100 shares. Fidelity International Limited ("FIL"), which is a qualified institution under section 240.13d-1(b)(1) pursuant to an SEC No-Action letter dated October 5, 2000, is the beneficial owner of 36,100 shares of Common Stock.

(6) The table includes the number of shares of Common Stock that Messrs. Baehren, Crawford and White, and all directors and executive officers as a group held in the Stock Purchase and Savings Program as of February 15, 2007. No shares are held in such program for Messrs. Ridder and Stroucken.

(7) The number of shares shown as beneficially owned includes the following number of shares of unvested restricted stock over which the following persons or group had voting, but not investment, power as of February 15, 2008:

| Officer | Shares |
|---|---|
| James W. Baehren | 48,472 |
| Gary F. Colter | 6,366 |
| L. Richard Crawford | 44,838 |
| Peter S. Hellman | 1,518 |
| Anastasia D. Kelly | 6,366 |
| John J. McMackin, Jr | 6,366 |
| Corbin A. McNeill, Jr | 6,366 |
| Albert P. L. Stroucken | 83,281 |
| Helge H. Wehmeier | 6,366 |
| Edward C. White | 36,157 |
| Dennis K. Williams | 4,359 |
| Thomas L. Young | 5,025 |
| All directors and executive officers as a group | 255,480 |

(8) Mr. Ridder also holds 16,389 unvested phantom shares over which he has no voting or investment power.

**Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's directors, certain officers and persons who own more than ten percent of a registered class of the Company's equity securities, to file reports of ownership and changes in ownership (Forms 3, 4 and 5) with the Securities and Exchange Commission with a copy to the New York Stock Exchange. These reporting persons are required by SEC regulation to furnish the Company with copies of all such forms which they file. To the Company's knowledge, based solely on review of the copies of such reports furnished to the Company and written representations that no reports were required, all of these reporting persons made all required filings on time during 2007.

## 2009 ANNUAL MEETING OF SHARE OWNERS

A share owner desiring to submit a proposal for inclusion in the Company's Proxy Statement for the 2009 Annual Meeting may do so by following the procedures prescribed in SEC Rule 14a-8. Any such proposal must be received by the Company no later than December 12, 2008. The Company requests that all such proposals be addressed to the Corporate Secretary, Owens-Illinois, Inc., One Michael Owens Way, Perrysburg, Ohio 43551-2999, and be mailed by certified mail, return receipt requested.

Share owners who submit to the Company evidence of their Common Stock ownership may recommend candidates for the Board. Recommendations of candidates for the Board submitted by share owners for consideration for the 2009 Annual Meeting will be considered by the Nominating/Corporate Governance Committee if the Company receives written notice of such recommendations no later than December 12, 2008. The Company requests that all such notices be addressed to the Corporate Secretary, Owens-Illinois, Inc., One Michael Owens Way, Perrysburg, Ohio 43551-2999. The notice must include certain information about that person being recommended, including (i) age, (ii) business and residence addresses, (iii) principal occupation, (iv) a description of any arrangements or understandings between the share owner and such nominee pursuant to which the nomination is to be made by the share owner and (v) such other information as would be required to be included in a proxy statement soliciting proxies to elect that person as a director. The notice must also contain the consent of the nominee to serve as a director if so elected.

**PROXY SOLICITATION**

The Company will pay the cost of preparing and mailing this Proxy Statement and other costs of the proxy solicitation made by the Board. Certain of the Company's officers and employees may solicit the submission of proxies authorizing the voting of shares in accordance with the Board's recommendations, but no additional remuneration will be paid by the Company for the solicitation of those proxies. Such solicitations may be made by personal interview, telephone and telegram. Arrangements have also been made with brokerage firms and others for the forwarding of proxy solicitation materials to the beneficial owners of Common Stock, and the Company will reimburse them for reasonable out-of-pocket expenses incurred in connection therewith.

The Company has mailed this Proxy Statement and a copy of its 2007 Annual Report to each share owner entitled to vote at the Annual Meeting. Included in the 2007 Annual Report are the Company's consolidated financial statements for the year ended December 31, 2007.

A copy of the Company's Annual Report on Form 10-K for the year ended December 31, 2007, including the financial statement schedules, as filed with the Securities and Exchange Commission, may be obtained without charge by sending a written request therefor to Owens-Illinois, Inc., Investor Relations, One Michael Owens Way, Perrysburg, Ohio 43551-2999. The Form 10-K is also available without charge on the Company's website at www.o-i.com.

Perrysburg, Ohio

April 4, 2008

# Proxy-Owens-Illinois, Inc.

**This Proxy is Solicited on Behalf of the Board of Directors**

The undersigned hereby appoints James W. Baehren, Edward C. White and Stephen P. Malia and each of them, or if more than one present and acting then a majority thereof, as Proxies with full power of substitution, and hereby authorize(s) them to represent and to vote, as designated on the reverse side hereof, all shares of common stock of Owen-Illinois, Inc. held of record by the undersigned on March 11, 2008, at the Annual Meeting of Share Owners to be held on May 9, 2008, or at any adjournment thereof.

**This proxy when properly executed, will be voted in the manner directed herein by the undersigned Share Owner. If no direction is made, this proxy will be voted FOR the election of the director nominees and FOR Proposal 2.**

**PLEASE EXECUTE THIS PROXY WHETHER OR NOT YOU PLAN TO ATTEND IN PERSON, AND RETURN THE PROXY PROMPTLY IN THE ENVELOPE PROVIDED SO THAT YOUR STOCK WILL BE REPRESENTED IN ALL EVENTS AND SO THAT WE MAY HAVE A QUORUM. PLEASE SIGN YOUR NAME ON THE REVERSE SIDE. WHEN SIGNING AS ATTORNEY, ADMINISTRATOR, EXECUTOR, GUARDIAN OR TRUSTEE, PLEASE GIVE FULL TITLE AS SUCH, JOINT OWNERS SHOULD BOTH SIGN.**

(Please mark this proxy and sign and date it on the reverse side hereof and return it in the enclosed envelope)

# Annual Meeting Proxy Card

The Board of Directors recommends a vote "FOR" Proposals 1 and 2.

**A Election of Class II Directors**

1. Nominees.

| | For | Withhold | | For | Withhold | | For | Withhold |
|---|---|---|---|---|---|---|---|---|
| 01-Peter S. Hellman | o | o | 02-Anastasia D. Kelly | o | o | 03-John J. McMackin, Jr. | o | o |

| | For | Withhold |
|---|---|---|
| 04-Hugh H. Roberts | o | o |

**B Proposal**

| | For | Against | Abstain |
|---|---|---|---|
| 2. Ratify the selection of Ernst & Young LLP as independent registered public accounting firm for 2008. | o | o | o |

**C Other Issues**

3. In their discretion, the Proxies are authorized to vote upon such other business as may properly come before the meeting or any adjournment or postponement thereof.

**D Authorized Signatures - Sign Here - This section must be completed for your instructions to be executed.**

Please sign as name appears hereon. When shares are held by joint tenants, both should sign. When signing as attorney, administrator, trustee or guardian, please give full title as such.

| Signature 1 - Please keep signature within the box | Signature 2 - Please keep signature within the box | Date (mm/dd/yyyy) |
|---|---|---|
| | | / / |

QuickLinks