

Consolidated Statement of Income

For years ended December 31 (In millions, except share and per-share data)

	2003	2002	2001
Sales			
Consumer Products	\$ 888	\$ 841	\$ 815
Foodservice/Food Packaging	1,371	1,221	1,182
Protective and Flexible Packaging	879	818	815
	<u>3,138</u>	<u>2,880</u>	<u>2,812</u>
Costs and expenses			
Cost of sales, excluding depreciation and amortization	2,206	1,967	1,950
Selling, general, and administrative	302	296	288
Depreciation and amortization	163	158	177
Other expense, net	1	—	6
Restructuring and other	—	(4)	12
Spin-off transaction	—	—	(12)
	<u>2,672</u>	<u>2,417</u>	<u>2,421</u>
Operating income	466	463	391
Tenneco Packaging litigation settlement and other	56	—	—
Interest expense, net of interest capitalized	96	96	107
Income-tax expense	118	146	118
Minority interest	1	1	1
Income from continuing operations	195	220	165
Income from discontinued operations, net of income tax	—	—	28
Income before cumulative effect of changes in accounting principles	195	220	193
Cumulative effect of changes in accounting principles, net of income tax	(12)	(72)	—
Net income	<u>\$ 183</u>	<u>\$ 148</u>	<u>\$ 193</u>
Earnings per share			
Average number of shares of common stock outstanding			
Basic	157,932,323	158,618,274	158,833,296
Diluted	160,143,600	160,613,075	159,527,170
Basic earnings per share of common stock			
Continuing operations	\$ 1.23	\$ 1.38	\$ 1.04
Discontinued operations	—	—	0.17
Cumulative effect of changes in accounting principles	(0.07)	(0.45)	—
	<u>\$ 1.16</u>	<u>\$ 0.93</u>	<u>\$ 1.21</u>
Diluted earnings per share of common stock			
Continuing operations	\$ 1.21	\$ 1.37	\$ 1.03
Discontinued operations	—	—	0.17
Cumulative effect of changes in accounting principles	(0.07)	(0.45)	—
	<u>\$ 1.14</u>	<u>\$ 0.92</u>	<u>\$ 1.20</u>

The accompanying notes to financial statements are an integral part of this statement.

Consolidated Statement of Financial Position

At December 31 (In millions, except share data)

2003

2002

Assets

Current assets

Cash and temporary cash investments	\$ 140	\$ 127
Accounts and notes receivable		
Trade, less allowances of \$11 and \$11 in the respective periods	346	329
Other	28	29
Inventories	399	368
Deferred income taxes	46	23
Prepayments and other	23	28
Total current assets	982	904

Property, plant, and equipment, net	1,522	1,366
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Other assets

Goodwill	643	612
Intangible assets, net	298	294
Pension assets, net	195	170
Other	66	66
Total other assets	1,202	1,142

Total assets	\$3,706	\$3,412
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Liabilities and shareholders' equity

Current liabilities

Short-term debt, including current maturities of long-term debt	\$ 5	\$ 13
Accounts payable	198	217
Taxes accrued	16	11
Interest accrued	9	9
Accrued promotions, rebates, and discounts	69	78
Accrued litigation	29	10
Accrued payroll and benefits	79	78
Other	69	85
Total current liabilities	474	501

Long-term debt	1,336	1,224
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Deferred income taxes	212	140
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Pension and postretirement benefits	576	586
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Other	39	43
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Minority interest	8	21
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Shareholders' equity

Common stock (156,335,967 and 158,681,918 shares issued and outstanding after deducting 15,447,208 and 13,101,457 shares held in treasury in the respective periods)	2	2
Premium on common stock and other capital surplus	1,326	1,379
Accumulated other comprehensive loss		
Currency translation adjustment	57	(4)
Additional minimum pension liability	(997)	(969)
Derivative losses	(1)	(2)
Retained earnings	674	491
Total shareholders' equity	1,061	897

Total liabilities and shareholders' equity	\$3,706	\$3,412
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Consolidated Statement of Cash Flows

For the years ended December 31 (In millions)

	2003	2002	2001
Operating activities			
Income from continuing operations	\$ 195	\$ 220	\$ 165
Adjustments to reconcile income from continuing operations to cash provided by continuing operations			
Depreciation and amortization	163	158	177
Deferred income taxes	33	101	112
Restructuring and other	—	(4)	12
Noncash retirement benefits, net	(64)	(109)	(104)
Changes in components of working capital			
(Increase) decrease in receivables	4	(40)	(1)
(Increase) decrease in inventories	(15)	(9)	25
(Increase) decrease in prepayments and other current assets	(1)	3	(7)
Increase (decrease) in accounts payable	(27)	4	1
Increase in taxes accrued	36	35	22
Decrease in interest accrued	—	—	(5)
Increase (decrease) in other current liabilities	8	10	(27)
Other	4	15	1
Cash provided by operating activities	336	384	371
Investing activities			
Net proceeds related to sale of discontinued operations	—	—	87
Net proceeds from sale of businesses and assets	3	7	69
Expenditures for property, plant, and equipment	(112)	(126)	(145)
Acquisitions of businesses and assets	(82)	(125)	(13)
Investments and other	(3)	—	1
Cash used by investing activities	(194)	(244)	(1)
Financing activities			
Issuance of common stock	20	11	16
Purchase of common stock	(87)	(40)	—
Purchase of preferred stock	—	—	(15)
Retirement of long-term debt	(67)	(22)	(348)
Net decrease in short-term debt, excluding current maturities of long-term debt	—	(6)	(7)
Cash used by financing activities	(134)	(57)	(354)
Effect of foreign-exchange rate changes on cash and temporary-cash investments	5	3	(1)
Increase in cash and temporary-cash investments	13	86	15
Cash and temporary-cash investments, January 1	127	41	26
Cash and temporary-cash investments, December 31	\$ 140	\$ 127	\$ 41
Supplemental disclosure of cash-flow information			
Cash paid during year for interest	\$ 97	\$ 97	\$ 114
Cash paid (refunded) for income taxes	44	18	(16)

The accompanying notes to financial statements are an integral part of this statement.

Consolidated Statement of Shareholders' Equity and Other Comprehensive Income (Loss)

(Dollars in millions)	Common stock	Premium on common stock and other capital surplus	Retained earnings	Accumulated other compre- hensive income (loss)	Total share- holders' equity	Total compre- hensive income (loss)
Balance, December 31, 2000	\$ 2	\$ 1,383	\$ 151	\$ 3	\$ 1,539	
Premium on common stock issued (1,254,445 shares)		15			15	
Change in net unrealized gains and losses				(42)	(42)	\$ (42)
Translation of foreign-currency statements				(7)	(7)	(7)
Additional minimum pension-liability adjustment, net of tax of \$2				(3)	(3)	(3)
Purchase of preferred stock			(1)		(1)	
Change in unrealized losses on interest-rate swaps				(5)	(5)	(5)
Net income			193		193	193
Total comprehensive income						136
Balance, December 31, 2001	2	1,398	343	(54)	1,689	
Premium on common stock issued (1,369,545 shares)		21			21	
Treasury stock repurchased (2,119,009 shares)		(40)			(40)	
Translation of foreign-currency statements				42	42	42
Additional minimum pension-liability adjustment, net of tax of \$538				(966)	(966)	(966)
Change in unrealized losses on interest-rate swaps				3	3	3
Net income			148		148	148
Total comprehensive loss						(773)
Balance, December 31, 2002	2	1,379	491	(975)	897	
Premium on common stock issued (1,966,849 shares)		34			34	
Treasury stock repurchased (4,312,600 shares)		(87)			(87)	
Translation of foreign-currency statements				61	61	61
Additional minimum pension-liability adjustment, net of tax of \$15				(28)	(28)	(28)
Change in unrealized losses on interest-rate swaps				1	1	1
Net income			183		183	183
Total comprehensive income						217
Balance, December 31, 2003	\$ 2	\$ 1,326	\$ 674	\$ (941)	\$ 1,061	

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