PLAINTIFF'S EXHIBIT
CCS-53

Order # 10144118(1/3)

#	DCN	Company Name	Doc Type	Doc Date	Ex	Qty.	Ship	Loc.
1	99032494	CROWN CORK & SEAL CO INC:C840700000	ARS	12/31/1998	NYS	1	DEL	

CROWN CORK & SEAL CO INC | Complete DocumentB(467362)

CROWN CORK & SEAL INC

AR/S

P.E.
12-31-98

99 03 2494

Annual Report 1998

L9N
PROCESSED BY
46 - 46 T
MAR 3 0 1999
PRIMARK
CORPORATION

WM

BOARD OF DIRECTORS

William J. Avery (a, d, e)
Chairman of the Board
and Chief Executive Officer

Henry E. Butwel (a, b)
Executive Vice President (Retired)

Charles F. Casey (b, c)
Management Consultant

John W. Conway (e)
President and Chief Operating Officer

Francis X. Dalton
Treasurer (Retired)

Tommy H. Karlsson (e)
Executive Vice President
and President – European Division

Richard L. Krzyzanowski (a)
Executive Vice President,
Secretary and General Counsel

Josephine C. Mandeville (d)
President and Chief Executive Officer
of the Connelly Foundation

Michael J. McKenna (a, e)
Vice Chairman

Thomas A. Ralph
Partner – Dechert Price & Rhoads

Jean-Pierre Rosso (c, d)
Chairman and CEO of Case Corporation;
Director of Ryerson Tull,
ADC Telecommunications and
Medtronic

Alan W. Rutherford (a, e)
Executive Vice President
and Chief Financial Officer

Harold A. Sorgenti (b, c, d, e)
General Partner of Sorgenti
Investment Partners; Chairman and CEO
of SpecChem International Holdings;
Director of Provident Mutual Life
Insurance Company

Guy de Wouters (b, e)
Director, Compagnie Générale
d'Industrie et de Participations ("CGIP"),
Marine-Wendel, Valeo, Eurotunnel
and Cap Gemini

Edward P. Stuart
Emeritus

Committees

a – Executive b – Audit c – Executive Compensation d – Nominating e – Strategic

CORPORATE OFFICERS

William J. Avery
Chairman of the Board
and Chief Executive Officer

Michael J. McKenna
Vice Chairman

John W. Conway
President and Chief Operating Officer

Tommy H. Karlsson
Executive Vice President
and President – European Division

Richard L. Krzyzanowski
Executive Vice President,
Secretary and General Counsel

Alan W. Rutherford
Executive Vice President
and Chief Financial Officer

Daniel A. Abramowicz
Executive Vice President –
Corporate Technologies

Ronald R. Thoma
Executive Vice President –
Procurement & Traffic

William H. Voss
Executive Vice President
and President – Asia-Pacific Division

Reda H. Amiry
Senior Vice President – Taxes

Craig R. L. Callé
Senior Vice President – Finance
and Treasurer

Timothy J. Donahue
Senior Vice President
and Corporate Controller

William R. Howard
Senior Vice President –
Corporate Operations

Gary L. Burgess
Vice President – Human Resources

Michael B. Burns
Vice President –
Treasury Management

Gregory L. Cowan
Vice President – Internal Audit

Daniel J. Donaghy
Vice President – Energy and Facilities

Michael F. Dunleavy
Vice President –
Business Development

Charles E. Finnegan
Vice President – Metal Purchasing

Muriel Fontugne
Vice President – Risk Management

William T. Gallagher
Vice President, Assistant Secretary
and Assistant General Counsel

Edward J. Hatter
Vice President – Traffic &
Transportation

Peter J. Julian
Chief Information Officer

Keith E. Lucas
Vice President – Global
Customer Business

E. C. Norris Roberts
Vice President –
Corporate Administration

Michael J. Rowley
Assistant Corporate Secretary
and Senior Attorney

Robert G. Vatistas
Vice President –
Environment, Health & Safety

Edward C. Vesey
Vice President – Purchasing

DIVISION OFFICERS

AMERICAS DIVISION

John W. Conway
President, Chief Operating Officer and President – Americas Division

Frank J. Mechura
Executive Vice President –
Plastic Operations and President –
CONSTAR

Robert J. Truitt
Executive Vice President –
Metal Operations

Clinton J. Waring
Senior Vice President –
Sales and Marketing

James T. Bennett
Vice President of Operations

James C. T. Bolton
Vice President – Finance
CONSTAR

Edward J. Boyle, Jr.
Vice President – Sales,
Eastern Division

Thomas J. Dunleavy
Vice President – Beauty Care Global
and President – Risdon-AMS

Forrest K. Eason
Vice President – Sales,
Southwest Division

Michael W. Feldser
Vice President –
2 Piece Can Manufacturing

John M. Gahan
Vice President – Production Planning

Michael J. Hoffman
Vice President - Manufacturing
CONSTAR

William R. Keith
Vice President – Sales,
Southern Division

Robert G. LeLacheur
Vice President – Sales,
Northeast Division

David MacBurnie
Vice President – Total Quality

Gary A. Munson
Vice President – Sales,
Western Division

Joseph R. Pierce
Vice President
and President – Plastic Closures

E. John Pysar
Vice President – Manufacturing
Food and Open Top

John E. Roycroft
Vice President – Sales,
Central Division

James H. Sadler
Vice President –
International Manufacturing
and Project Management

William L. Secoy
Vice President – Sales
and Marketing, Closures

Patrick D. Szmyt
Vice President
and Chief Financial Officer

ASIA-PACIFIC DIVISION

William H. Voss
Executive Vice President and President – Asia-Pacific Division

Khong Heng Kin
Vice President – Operations
and Business Development

Jozef Salaerts
Chief Financial Officer

Andy Carlton
Director – Manufacturing

EUROPEAN DIVISION

Tommy H. Karlsson
Executive Vice President and President - European Division

Mike French
Executive Vice President –
Beverage

B. Nigel Gilson
Executive Vice President –
Food, Aerosols and
Specialty Packaging

Francis Labbé
Executive Vice President –
North West Food, Aerosols
and Speciality Packaging

Marc Szulewicz
Executive Vice President –
Plastics

Peter Calder
Senior Vice President
Human Resources
and Communications

Michel Mousselon
Senior Vice President
and Chief Financial Officer

Francois de Wendel
Senior Vice President –
Sourcing

Peter Collier
Vice President –
Strategic Business Development

Brian Curtis
Vice President
North West Food, Commercial

Roland Dachs
Vice President – Logistics

Michel Didier
Vice President – Specialty Packaging

Jean-Michel Etienne
Vice President – Finance, Food,
Aerosols and Specialty Packaging

Chris Harrison
Vice President – Plastic Closures

Jacques Jamart
Vice President – Iberia, Fish
and Francophone Africa

Ashok Kapoor
Vice President –
Business Development, Beverage

John McLaren
Vice President – Sales,
Marketing and Logistics,
Beverage

Gérard Meulman
Vice President – Closures Europe

George Nicol
Vice President –
Operations Beverage

Peter Nuttall
Vice President –
General Supplies

David Pollen
Vice President –
Anglophone Africa and Middle East

David Powell
Vice President –
Plastic Beverage

Guglielmo Prati
Vice President – Food Italy

Ian Richards
Vice President –
Central and Eastern Europe

Alan Smith
Vice President –
Manufacturing, Quality
and Operations North West

Yves Stordeur
Vice President –
Manufacturing and Quality
Health and Personal Care
Bottles

Jan-Paul Suur
Vice President – Crowns

CORPORATE TECHNOLOGIES

Daniel A. Abramowicz
Executive Vice President - Corporate Technologies

Mike G. Alderson
Vice President –
New Technologies

Tod F. Eberle
Vice President –
Plastics Technologies

William C. Hoyle
Vice President –
Materials and Packaging Services

Leonard Jenkins
Vice President –
Engineering-Metals

Annual Meeting

We cordially invite you to attend the Annual Meeting of Shareholders of Common and Preferred Stock to be held at 11:00 a.m. on Thursday, April 22, 1999 at the Corporate Headquarters, One Crown Way, Philadelphia, Pennsylvania. A formal notice of this Meeting, together with the Proxy Statement and Proxy Card, will be mailed to each Shareholder of Common and Preferred Stock of record as of the close of business on March 12, 1999, and only holders of record on said date will be entitled to vote. The Board of Directors of the Company requests the Shareholders of Common and Preferred Stock to sign Proxies and return them in advance of the Meeting.

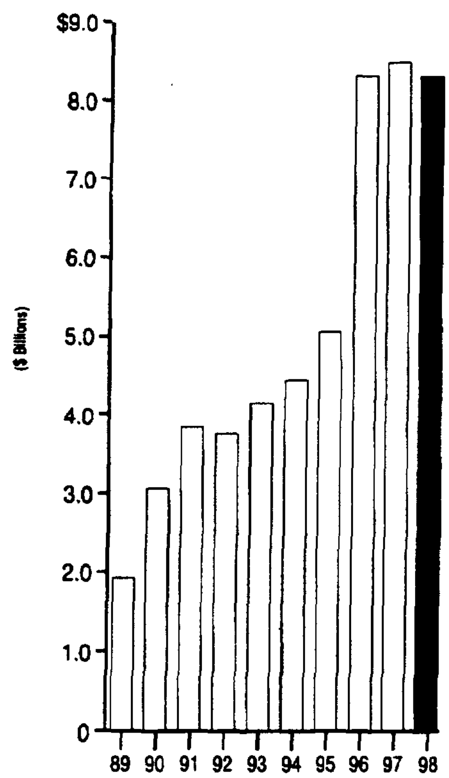
Table of Contents

Financial Highlights

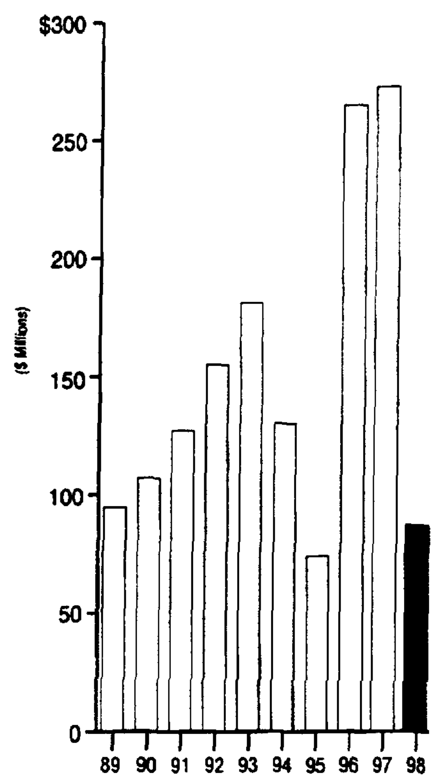
(in millions, except per share, employee, shareholder and statistical data)

	1998	1997	% Change
Net sales	$ 8,300	$ 8,495	(2.3)
Net income* (1)	88	279	(68.5)
Per common share			
Earnings - diluted* (1)	$ .71	$ 2.15	(67.0)
Cash dividends	1.00	1.00	
Book value (2)	22.89	25.26	(9.4)
Market price (closing)	30.813	50.125	(38.5)
Total assets	$12,469	$12,306	1.3
Capital expenditures	487	515	(5.4)
Depreciation and amortization	533	540	(1.3)
Cash flow from operations	672	402	67.2
Return on average shareholders' equity* (1) (3)	3.2%	8.5%	(62.4)
Total debt to total capitalization	62.3%	56.1%	11.1
Number of employees	38,459	40,985	(6.2)
Number of common shareholders (on record)	5,644	5,763	(2.1)
Average common shares outstanding - diluted	132,884,417	140,274,708	(5.3)
Preferred stock outstanding	8,376,451	12,431,793	(32.6)

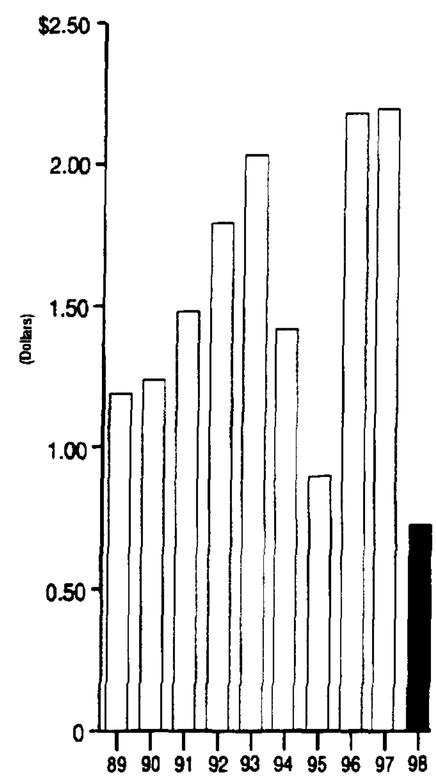
NET SALES



NET INCOME*



EARNINGS PER SHARE **



* Excludes the cumulative effect of accounting changes.

** Earnings per share for years prior to 1992 have been restated for comparative purposes to reflect the 3 for 1 common stock split declared in 1992.

(1) Includes restructuring and other charges of $304; $205 after taxes and minority interests or $1.54 per diluted share in 1998 and restructuring charges of $67; $43 after taxes or $.31 per diluted share, in 1997. Excluding the impact of these non-recurring charges, *net income available to common shareholders* in 1998 was $293 or $2.33 per diluted share, a decrease in net income of 9.0% and a decrease of 5.3% in diluted earnings per share compared to 1997. Return on shareholders' equity, excluding the non-recurring charges, was 9.2% for 1998 and 9.7% for 1997.

(2) Shareholders' equity divided by the total of outstanding common stock and common stock equivalents and the assumed conversion of preference shares.

(3) Net income before preference dividends divided by average shareholders' equity.

CROWN CORK & SEAL

Dear Fellow Shareholders:

Our decision to acquire CarnaudMetalbox (CMB) in 1996 was widely praised. The transaction left us well positioned to serve leading regional and multinational consumer marketers, as well as thousands of local customers in markets around the world. The strategic merits of the CMB acquisition are as compelling today as they were when we first pursued that company.

Since the acquisition, we have increased our operating profits in both dollars and as a percentage to sales in each year and 1998 was no exception. In 1998, we earned $2.33 per share on a continuous operating basis, an increase of 3% over the prior year. In September, we announced a series of new strategic initiatives that should improve the value of your investment over time. I want to address the factors affecting our performance and offer some insights on our new strategic direction.

Our success will reflect the inevitable progression of customers doing more business with fewer but more capable suppliers that provide high quality products and services at competitive prices. We will grow and prosper as we serve these customers with a good mix of traditional and specialty packaging products. Our performance in the last few years has been restrained by several factors that I want to put into perspective.

There are wide differences in the economic condition of the many markets we serve. Before we acquired CMB, two-thirds of our net sales were generated in the United States, a market that has become a pillar of economic strength in recent years. Since we acquired CMB, 60% of our net sales are now generated outside the United States. Our decision to become more international by acquiring CMB does not seem timely under these circumstances, but it is far more important to be well established globally over the long-term.

The European marketplace is in the midst of unprecedented change. The formation of a new, single currency is only one visible element of this change. We expect to see more consolidation among the many small, less efficient packaging competitors, followed by rationalization of redundant capacity. We will continue to be confronted with both challenges and opportunities as the Euro zone, or Euroland as it is called, becomes better established, but the resulting environment will play to our strengths.

We are already the lowest cost producer in Europe following our successful, extensive restructuring and modernization program, and we will continue to build on our leadership position in that regard. We are also implementing a dramatic, multi-year program to streamline our business systems to accommodate increases in pan-European, supply-chain driven business opportunities, among other benefits.

We have made a number of investments in emerging markets, especially since 1991, when we acquired a part of Continental Can that specialized in this activity. We derive about 7% of our sales from these markets; not huge, but noteworthy. We saw a swift decline in the value of these businesses late last year as economic conditions eroded in markets as diverse as Latin America, Asia-Pacific and Eastern Europe. Customers of ours, many based in mature markets such as Europe and North America, depend on the emerging markets for their own export growth. The global economic turmoil, therefore, has had both a direct and an indirect effect on our order book. We are not out of the woods yet, but we are beginning to see an improvement in these long-term, high potential markets.

CROWN CORK & SEAL

One of the consequences of acquiring CMB was that food cans became our largest product. Weather conditions influence the size of crop harvests, thereby affecting the demand for food containers. Highly unusual weather patterns over the past few years have been detrimental to us, and we look forward to a return to normalcy. However, the unusually warm, dry conditions in North America last summer were beneficial to our beverage can business there.

Finally, notice that certain of our raw material costs have been declining, which results in lower selling prices in some of our traditional product lines. Raw material cost deflation heightens the need to restrain increases in the other costs of production that are not likely to be recovered in the selling price. The parts of our Company dedicated to converting raw materials into packaging products perform best when these costs are stable, and maybe even rising slightly, over time.

The new strategy we outlined late last year is as simple as it is powerful. We have an impressive infrastructure from which we can continue to grow and cut costs. We are increasing the amount of free cash flow we can generate and will use those funds primarily to reduce debt and repurchase shares. These actions will enhance our return on capital and as we realize our objectives, our stock price should improve too. We are strong financially, with perhaps the most talented employees in the business.

We made a number of new appointments throughout our organization. The most significant appointment was John Conway, 53, who was appointed President and Chief Operating Officer. John has 24 years of experience in the packaging industry and has had management responsibilities covering all parts of our global business.

I saw an amazing statistic recently. Eighty-three percent of last year's appreciation of the stocks in the S&P MidCap 400 Index at the start of 1998 was attributable to one internet-oriented stock alone. Internet stock valuations no doubt reflect the growth of a powerful new phenomenon in society today. Maybe such stocks are just way overvalued. I know that the products we make are virtually indispensable to people, and we continue to adapt our product mix to enhance our relevance in the markets we serve.

Having already become the global packaging industry leader, all of us are even more energized by the opportunity to create significant shareholder value in the years ahead.

Sincerely,

William J. Avery

William J. Avery
Chairman of the Board
and Chief Executive Officer

March 19, 1999

Consolidated Statements of Income

(in millions, except per share amounts)

	1998	1997	1996
Net sales	$ 8,300	$ 8,495	$ 8,332
Costs, expenses and other income			
Cost of products sold (excluding depreciation and amortization)	6,527	6,708	6,733
Depreciation and amortization	533	540	496
Selling and administrative expense	379	414	387
Provision for restructuring and other charges. . *Notes K and L*	304	67	40
Gain on sale of assets		(38)	(24)
Interest expense	408	379	328
Interest income	(45)	(39)	(22)
Translation and exchange adjustments	14	7	(37)
	8,120	8,038	7,901
Income before income taxes and cumulative effect of accounting change	180	457	431
Provision for income taxes . . *Note R*	74	148	134
Income from operations before cumulative effect of accounting change	106	309	297
Minority interests, net of equity earnings	(1)	(7)	(13)
Net income before cumulative effect of accounting change	105	302	284
Cumulative effect of accounting change, net of tax . . *Note B*		(8)	
Net income	105	294	284
Preferred stock dividends	17	23	20
Net income available to common shareholders	$ 88	$ 271	$ 264
Average common share data:			
Earnings per average common share . . *Note P*			
Basic - before cumulative effect of accounting change	$ .71	$ 2.17	$ 2.16
after cumulative effect of accounting change		$ 2.11	
Diluted - before cumulative effect of accounting change	$ .71	$ 2.15	$ 2.14
after cumulative effect of accounting change		$ 2.10	
Dividends	$ 1.00	$ 1.00	$ 1.00

The accompanying notes are an integral part of these financial statements.
Certain prior year balances have been reclassified to improve comparability.

Consolidated Balance Sheets

(in millions, except share data)

December 31	1998	1997
Assets		
Current assets		
Cash and cash equivalents	$ 284	$ 206
Receivables . . *Note D*	1,359	1,353
Inventories . . *Note E*	1,421	1,387
Prepaid expenses and other current assets	104	201
Total current assets	3,168	3,147
Long-term notes and receivables	44	65
Investments	91	90
Goodwill, net of amortization	4,565	4,625
Property, plant and equipment . . *Note F*	3,743	3,664
Other non-current assets	858	715
Total	$12,469	$12,306
Liabilities & Shareholders' Equity		
Current liabilities		
Short-term debt . . *Note M*	$ 2,331	$ 1,385
Current portion of long-term debt . . *Note M*	135	399
Accounts payable and accrued liabilities . . *Note G*	2,181	2,237
United States and foreign income taxes	63	28
Total current liabilities	4,710	4,049
Long-term debt, excluding current maturities . . *Note M*	3,188	3,301
Other non-current liabilities . . *Note H*	609	432
Postretirement and pension liabilities . . *Note S*	707	712
Minority interests	280	283
Commitments and contingent liabilities . . *Notes J and K*		
Shareholders' equity		
Preferred stock, 4.5% cumulative convertible, par value: $41.8875; authorized: 12,432,622 . . *Note O*		
1998 - outstanding 8,376,451	351	
1997 - outstanding 12,431,793		521
Additional preferred stock, authorized: 30,000,000; none issued . . *Note O*		
Common stock, par value: $5.00; authorized: 500,000,000 . . *Note O*		
1998 - issued 155,792,424	779	
1997 - issued 155,792,386		779
Additional paid-in capital	1,340	1,561
Retained earnings	1,250	1,327
Accumulated other comprehensive income/(loss) . . *Note C*	(578)	(522)
Treasury stock (1998 - 33,455,026 shares; 1997 - 27,393,843 shares)	(167)	(137)
Total shareholders' equity	2,975	3,529
Total	$12,469	$12,306

The accompanying notes are an integral part of these financial statements.
Certain prior year balances have been reclassified to improve comparability.

Consolidated Statements of Cash Flows

(in millions)

	1998	1997	1996
Cash flows from operating activities			
Net income	$ 105	$ 294	$ 284
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	533	540	496
Provision for restructuring and other charges	205	43	32
Foreign currency gain			(42)
Gain on sale of assets		(28)	(16)
Deferred income taxes	113	93	92
Changes in assets and liabilities, net of businesses acquired:			
Receivables	1	(115)	247
Inventories	(24)	(70)	20
Accounts payable, accrued and other liabilities	(235)	(219)	(194)
Other, net	(26)	(136)	(8)
Net cash provided by operating activities	672	402	911
Cash flows from investing activities			
Capital expenditures	(487)	(515)	(631)
Acquisition of businesses, net of cash acquired	(31)	(10)	(1,538)
Proceeds from sale of property, plant and equipment	47	43	33
Proceeds from sale of businesses	35	90	108
Other, net	(16)	(6)	(7)
Net cash used for investing activities	(452)	(398)	(2,035)
Cash flows from financing activities			
Proceeds from long-term debt	23	124	2,075
Payments of long-term debt	(443)	(269)	(303)
Net change in short-term debt	877	360	(423)
Dividends paid	(143)	(152)	(146)
Stock repurchased	(467)	(17)	
Common stock issued - benefit plans	6	11	11
Minority contributions, net of dividends paid	(5)	10	4
Net cash (used for) provided by financing activities	(152)	67	1,218
Effect of exchange rate changes on cash and cash equivalents	10	(26)	(2)
Net change in cash and cash equivalents	78	45	92
Cash and cash equivalents at January 1	206	161	69
Cash and cash equivalents at December 31	$ 284	$ 206	$ 161

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Shareholders' Equity

(in millions, except share data)

	Comprehensive Income	Preferred Stock	Common Stock	Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income/(Loss)	Treasury Stock	Total
Balance December 31, 1995			$593	$ 182	$1,049	($224)	($139)	$1,461
Net income - 1996	$284				284			284
Translation adjustments	(145)					(145)		(145)
Minimum pension liability adjustment, net of $9 tax	17					17		17
Comprehensive income	$156							
Stock issued in business combination:								
Common: 37,300,818 shares			186	1,376				1,562
Preferred: 12,432,622 shares		$521						521
Dividends declared:								
Common					(128)			(128)
Preferred					(20)			(20)
Stock issued-benefit plans: 459,165 shares				9			2	11
Balance December 31, 1996		521	779	1,567	1,185	(352)	(137)	3,563
Net income - 1997	$294				294			294
Translation adjustments	(168)					(168)		(168)
Minimum pension liability adjustment, net of $1 tax	(2)					(2)		(2)
Comprehensive income	$124							
Stock repurchased: 342,414 shares				(15)			(2)	(17)
Dividends declared:								
Common					(128)			(128)
Preferred					(24)			(24)
Stock issued-benefit plans 329,406 shares				9			2	11
Balance December 31, 1997		521	779	1,561	1,327	(522)	(137)	3,529
Net income - 1998	$105				105			105
Translation adjustments	31					31		31
Minimum pension liability adjustment, net of $47 tax	(87)					(87)		(87)
Comprehensive income	$ 49							
Stock repurchased:								
6,528,783 common shares				(225)	(29)		(32)	(286)
4,055,300 preferred shares		(170)			(11)			(181)
Dividends declared:								
Common					(125)			(125)
Preferred					(17)			(17)
Stock issued-benefit plans 467,600 shares				4			2	6
Balance December 31, 1998		$351	$779	$1,340	$1,250	($578)	($167)	$2,975

The accompanying notes are an integral part of these financial statements.
Certain prior year balances have been reclassified upon adoption of SFAS No. 130 and to improve comparability.

Notes to Consolidated Financial Statements

(in millions, except per share, employee, shareholder and statistical data; per share earnings are quoted as diluted)

A. Summary of Significant Accounting Policies

Business and Principles of Consolidation

The consolidated financial statements include the accounts of Crown Cork & Seal Company, Inc. (the "Company") and its wholly-owned and majority-owned subsidiary companies. The Company manufactures and sells metal and plastic containers, metal and plastic closures, crowns and canmaking equipment. These products are manufactured in the Company's plants both within and outside the United States and are sold through the Company's sales organization to the soft drink, food, citrus, brewing, household products, personal care and various other industries. The financial statements have been prepared in conformity with generally accepted accounting principles and reflect management estimates and assumptions. Actual results could differ from those estimates, impacting reported results of operations and financial position. All significant intercompany accounts and transactions are eliminated in consolidation. Investments in joint ventures and other companies in which the Company does not have control, but has the ability to exercise significant influence over operating and financial policies (generally greater than 20% ownership), are accounted for by the equity method. Other investments are carried at cost.

Foreign Currency Translation

For non-U.S. subsidiaries which operate in a local currency environment, assets and liabilities are translated into U.S. dollars at year-end exchange rates. Income and expense items are translated at average exchange rates prevailing during the year. Translation adjustments for these subsidiaries are accumulated in a separate component of accumulated other comprehensive income/(loss) in shareholders' equity. For non-U.S. subsidiaries which operate in U.S. dollars (functional currency) or whose economic environment is highly inflationary, local currency inventories and plant and other property are translated into U.S. dollars at approximate rates prevailing when acquired; all other assets and liabilities are translated at year-end exchange rates. Inventories charged to cost of sales and depreciation are remeasured at historical rates; all other income and expense items are translated at average exchange rates prevailing during the year. Gains and losses which result from remeasurement are included in earnings.

Cash and Cash Equivalents

Cash equivalents represent investments with maturities of three months or less from the time of purchase and are carried at cost which approximates fair value because of the short maturity of those instruments.

Inventory Valuation

Inventories are stated at the lower of cost or market, with cost for domestic metal, plastic container, crown and closure inventories principally determined under the last-in, first-out ("LIFO") method. Non-U.S. inventories are principally determined under the average cost method.

Goodwill

Goodwill, representing the excess of the cost over the net tangible and identifiable intangible assets of acquired businesses, is stated at cost and is amortized, principally on a straight-line basis, over the estimated future periods to be benefited (primarily 40 years). On an annual basis, the Company reviews the recoverability of goodwill based primarily upon an analysis of undiscounted cash flows from the acquired businesses. Accumulated amortization amounted to $452 and $334 at December 31, 1998 and 1997, respectively.

Property, Plant and Equipment

Property, plant and equipment ("PP&E") is carried at cost and includes expenditures for new facilities and those costs which substantially increase the useful lives of existing PP&E. Cost of significant assets includes capitalized interest incurred during the construction and development period. Maintenance, repairs and minor renewals are expensed as incurred. When properties are retired or otherwise disposed, the related costs and accumulated depreciation are eliminated from the respective accounts and any profit or loss on disposition is reflected in income. Costs assigned to PP&E of acquired businesses are based on estimated fair value at the date of acquisition.

Depreciation and amortization are provided on a straight-line basis for financial reporting purposes and an accelerated basis for tax purposes over the estimated useful lives of the assets. The range of estimated economic lives assigned to each significant fixed asset category are as follows: Land Improvements–25; Buildings and Building Improvements–25 to 40; Other Depreciable Assets–3 to 14.

Impairment of Long-Lived Assets

In the event that facts and circumstances indicate that the cost of long-lived assets may be impaired, an evaluation of recoverability would be performed. If an evaluation is required, the estimated future undiscounted cash flows associated with the asset would be compared to the asset's carrying amount to determine whether a write-down to market value is required.

Treasury Stock

Treasury stock is reported at par value and constructively retired. The excess of fair value over par value is first charged to paid in capital, if any, and then to retained earnings.

Research and Development

Research, development and engineering expenditures which amounted to $53, $53 and $52 in 1998, 1997 and 1996, respectively, are expensed as incurred. Substantially all engineering and development costs are related to developing new products or designing significant improvements to existing products.

Reclassifications

Certain reclassifications of prior years' data have been made to improve comparability.

B. Accounting Change

In the fourth quarter of 1997 the Company adopted the provisions of the Emerging Issues Task Force Bulletin 97-13 ("EITF 97-13"), Accounting for Costs Incurred in Connection with a Consulting Contract or an Internal Project that Combines Business Process Reengineering and Information Technology Transformation. EITF 97-13 requires that the costs of business process reengineering activities that are part of systems development projects be expensed as they are incurred. Unamortized costs that were previously capitalized, through September 30, 1997, were written off as a cumulative effect of an accounting change. This resulted in an after-tax charge of $8 or $.05 per share.

C. Comprehensive Income

Statement of Financial Accounting Standards ("SFAS") No. 130, Reporting Comprehensive Income, establishes a standard for reporting and displaying comprehensive income and its components within the financial statements. Comprehensive income includes charges and credits to equity that are not the result of transactions with shareholders. Comprehensive income is composed of two subsets - net income and other comprehensive income. Included in other comprehensive income for the Company are cumulative translation adjustments and minimum pension liability adjustments. These adjustments are accumulated within the Statement of Shareholders' Equity under the caption Accumulated Other Comprehensive Income/(Loss). As of December 31, accumulated other comprehensive income/(loss), as reflected in the consolidated statement of shareholders' equity, was comprised of the following:

	1998	1997
Minimum pension liability adjustments	($104)	($ 17)
Cumulative translation adjustments	(474)	(505)
	($578)	($522)

Cumulative translation adjustments are not adjusted for income taxes as they relate to indefinite investments in non-U. S. subsidiaries.

D. Receivables

	1998	1997
Accounts and notes receivable	$1,161	$1,150
Less: allowance for possible losses	(45)	(45)
Net trade receivables	1,116	1,105
Miscellaneous receivables	243	248
	$1,359	$1,353

The Company has agreements to sell certain of its non-U.S. trade accounts receivable. At December 31, 1998, approximately $201 ($149 at December 31, 1997) of receivables had been sold with limited recourse and are reflected as a reduction of trade receivables.

E. Inventories

	1998	1997
Finished goods	$ 577	$ 560
Work in process	204	187
Raw materials and supplies	640	640
	$1,421	$1,387

Approximately 28% and 29% of worldwide inventories at December 31, 1998 and 1997, respectively, were stated on the LIFO method of inventory valuation. Had average cost (which approximates replacement cost) been applied to such inventories at December 31, 1998 and 1997, total inventories would have been $15 and $25 higher, respectively.

F. Property, Plant and Equipment

	1998	1997
Buildings and improvements	$ 864	$ 926
Machinery and equipment	4,546	4,127
	5,410	5,053
Less: accumulated depreciation and amortization	(2,153)	(1,921)
	3,257	3,132
Land and improvements	206	208
Construction in progress	280	324
	$3,743	$3,664

G. Accounts Payable and Accrued Liabilities

	1998	1997
Trade accounts payable	$1,315	$1,343
Interest	63	66
Salaries, wages and other employee benefits	261	255
Environmental	3	4
Litigation	42	
Restructuring	128	152
Deferred taxes	85	83
Other	284	334
	$2,181	$2,237

Miscellaneous current receivables include $37 for recoveries related to litigation.

H. Other Non-Current Liabilities

	1998	1997
Postemployment benefits	$ 45	$ 37
Environmental	15	35
Litigation	129	
Deferred taxes	356	305
Other	64	55
	$609	$432

Other non-current assets include $21 and $19 at December 31, 1998 and 1997, respectively, for estimated recoveries related to environmental liabilities.

I. Acquisitions

During 1998, the Company acquired, in separate transactions, the assets of food can manufacturers in Portugal and Poland for cash payments of $31.

On March 5, 1997, the Company acquired Golden Aluminum Company ("GAC") from ACX Technologies, Inc. The purchase price was $70 which included an immediate cash payment of $10 and a deferred payment of $60. Under the terms of the purchase, the Company holds a put option enabling it to return GAC to ACX.

Effective February 22, 1996, the Company acquired CarnaudMetalbox ("CMB") for approximately $3,986, including $1,903 in cash, $1,562 in Crown common stock and $521 in Crown 4.5% cumulative convertible preferred stock. The cash portion of the consideration was financed through a Revolving Credit and Term Loan Agreement. This agreement was subsequently refinanced. See Note M and Management's Discussion and Analysis for further details on the refinancing. The Company also acquired, in separate transactions, the assets of a tooling company in Pennsylvania for approximately $1 in cash and the assets of a coil cutting and coating facility in California for approximately $5 in cash. Both transactions were financed through cash from operations.

For financial reporting purposes, all of the acquisitions above were treated as purchases. An excess purchase price of approximately $3,850 has been determined, based upon the fair values of assets acquired and liabilities assumed in connection with the above acquisitions. The operating results of each acquisition are included in consolidated net income from the date of acquisition.

The following represents the non-cash impact of the acquisitions noted above:

	1998	1997	1996
Fair value of assets acquired, including goodwill	$ 75	$ 70	$ 7,995
Liabilities assumed	(44)		(4,003)
Note payable		(60)	
Issuance of common stock			(1,562)
Issuance of 4.5% cumulative convertible preferred stock			(521)
Cash paid	$ 31	$ 10	$ 1,909

J. Lease Commitments

The Company and its subsidiaries lease manufacturing, warehouse and office facilities and certain equipment. Certain non-cancelable leases are classified as capital leases, and the leased assets are included in PP&E. Other long-term non-cancelable leases are classified as operating leases and are not capitalized. The amount of capital leases reported as capital assets, net of accumulated amortization, at December 31, 1998 and 1997 was $54 and $46, respectively.

Under long-term operating leases, minimum annual rentals are $26 in 1999, $18 in 2000, $14 in 2001, $11 in 2002, $8 in 2003, and a total of $38 in 2004 and thereafter. Under long-term capital leases, minimum annual rentals are $14 in 1999, $8 in 2000, $7 in 2001, $6 in 2002, $4 in 2003, and a total of $11 in 2004 and thereafter. The present value of future minimum payments on capital leases is $43 with the current portion of the obligation being $12. Rental expense (net of sublease rental income of $5 in 1998, $4 in 1997 and $6 in 1996) amounted to $42 in 1998, $38 in 1997 and $35 in 1996.

K. Commitments and Contingent Liabilities

The Company has various commitments to purchase materials and supplies as part of the ordinary conduct of business. Such commitments are not at prices in excess of current market. The Company's basic raw materials for its products are tinplate, aluminum and resins, all of which are purchased from multiple sources. The Company is subject to material fluctuations in the cost of these raw materials and has periodically adjusted its selling prices to reflect these movements. There can be no assurance, however, that the Company will be able to recover fully any increases or fluctuations in raw material costs from its customers.

The Company is one of a number of defendants in a substantial number of lawsuits filed by persons alleging bodily injury as a result of exposure to asbestos. This litigation arose from the insulation operations in the United States of a company in which the Company acquired a majority interest in 1963. That company sold this insulation business less than three months later.

Prior to 1998, the amounts paid to asbestos litigation claimants were covered by a fund of $80 made available to the Company under a 1985 settlement with carriers insuring the Company through 1976, when the Company became self-insured. From 1985 through 1997, the Company disposed of approximately 70,000 cases for amounts which aggregated approximately one-half of the original fund.

Until the fourth quarter of 1998 the Company considered that the fund was adequate and that the likelihood of exposure for this litigation in excess of the amount of the fund was remote. This view was based on the Company's analysis of its potential exposure, the balance available under the 1985 settlement, historical trends and actual settlement ranges.

A change in Texas law, which limits out-of-state plaintiff filings in that state, and which will therefore be favorable in the long-term, caused, along with other factors, an unexpected increase in claims activity. This, along with several larger group settlements, caused the Company to reevaluate its position.

As a consequence, the Company has provided a charge of $78 after taxes (or $.59 per share) to supplement the remaining fund and cover estimated liability claims pending or to be filed through 2003.

The liability recorded for asbestos claims constitutes management's best estimate of such costs for pending and future claims. Because of the uncertainties related to this kind of litigation, the Company believes it is not possible to estimate the number of personal injury claims that may be filed after 2003. The Company believes, however, that the number of claims against it will slow significantly in the future as time elapses since 1963. The Company cautions, however, that inherent in its estimate of liabilities are expected trends in claim severity, frequency and other factors which may vary as claims are filed and settled or otherwise disposed of. Accordingly, these matters, if resolved in a manner different from the estimate, could have a material effect on the operating results or cash flows in future periods. While it is not possible to predict with certainty the ultimate outcome of these lawsuits and contingencies, the Company believes, after consultation with counsel, that resolution of these matters is not expected to have a material adverse effect on the Company's financial position or liquidity.

The Company is also subject to various other lawsuits and claims with respect to matters such as governmental and environmental regulations and other actions arising out of the normal course of business. While the impact on future financial results is not subject to reasonable estimation because considerable uncertainty exists, management believes, after consulting with counsel, that the ultimate liabilities resulting from such lawsuits and claims will not materially affect the consolidated results, liquidity or financial position of the Company.

L. Restructuring

During 1998, the Company provided $179 ($127 after-tax or $.95 per share) for the costs associated with the plan to close thirteen plants and the reorganization of three additional plants. These actions reflect the Company's continued commitment to realign its manufacturing facilities with the objective of enhancing operating efficiencies. Included in the restructuring charge were costs to provide severance and related benefits, write-down of assets and other exit costs. The Company anticipates that this restructuring program will generate after-tax savings of approximately $64 ($.48 per share) on an annualized basis when fully implemented.

The cost of providing severance and related benefits is estimated at $99, is a cash expense, and covers a reduction of approximately 2,900 employees, 1,900 of whom are involved in direct manufacturing operations.

Included in this restructuring provision is a charge of $60 reflecting the impairment of property, plant and equipment principally located in the Americas Division. This charge has been reflected as a reduction in the carrying values of the related assets. Write-downs of property, plant and equipment were made where their carrying values exceeded the Company's estimate of proceeds from abandonment or disposal. These estimates were based principally on past experience of comparable asset disposals. Disposition of assets identified for disposal in the 1998 action, including certain machinery, land and buildings, is expected to be substantially completed by the end of 1999. The carrying value of the land and buildings held for sale is approximately $22. Annual depreciation previously recognized for the affected assets was approximately $4.

Other non-recurring exit costs are estimated at $20 and are primarily a cash expense, comprising the costs to effectively close and dispose of the facilities identified in the 1998 plan. Exit costs include, but are not limited to, fees related to lease terminaton and other contract cancellations, dismantlement costs and brokers' fees for assets to be sold. These costs are expected to be substantially incurred by the end of 1999.

During 1997, the Company provided $67 ($43 after-tax or $.31 per share) for the costs associated with a plan to improve the structure of its PET plastic beverage container business in the United States by closing and reorganizing six manufacturing locations in its CONSTAR subsidiary along with other, non-PET, restructuring activities, primarily in Europe. This restructuring program covered approximately 600 employees.

During 1996, the Company provided restructuring costs relative to the acquisition of CarnaudMetalbox (CMB). Affected by the plan of restructuring were forty plants and regional administrative offices which were closed and an additional fifty-two plants which were reorganized. The Company accrued approximately $534 and allocated such costs to the purchase price of CMB in accordance with purchase accounting requirements. These costs comprised: severance and related benefits, write-down of assets and other exit costs. The cost of providing severance and related benefits for the reduction of approximately 6,500 employees was $257 and was primarily a cash expense. The write-down of assets (principally property, plant and equipment) was approximately $217 and has been reflected as a reduction in the carrying values of the Company's assets. Other exit costs, primarily repayments of government grants and subsidies, were approximately $60 and were primarily cash expenses. The restructuring costs recorded in connection with the CMB acquisition included a $95 restructuring charge announced in 1996 by CarnaudMetalbox Asia, Ltd., a subsidiary of CMB. Remaining balances in the restructuring reserve primarily relate to payment options available to employees under termination agreements. Such agreements were made with the respective union or with the local governmental body generally, and provide that a portion of the employee severance is paid when the employee is terminated and the remaining portion is paid out over an agreed period.

In 1996, the Company also provided $40 ($32 after-taxes or $.24 per share) for the costs associated with exiting certain lines of business in its South African operations, the closure of a South American operation and costs associated with restructuring existing businesses in Europe.

The balance of the restructuring reserves (excluding the write-down of assets which is reflected as a reduction of the related asset account) is included within accounts payable and accrued liabilities. The components of the restructuring reserve and movements within these components during 1998 were as follows:

(in millions)	Employee Severance	Other Exit Costs	Writedown of Assets	Total
Opening balance	$120	$ 35		$ 155
Provisions accrued	99	20	$ 60	179
Payments made	(107)	(23)		(130)
Transfer against assets			(60)	(60)
Other movements*	(15)	(1)		(16)
Closing balance	$ 97	$ 31		$ 128

*Includes provisions under purchase accounting for two 1998 acquisitions in Europe, sale of businesses and translation adjustments.

During 1998, payments of $107 were made related to the termination of approximately 2,200 employees, 1,800 of whom were involved in direct manufacturing operations. Payments of $23 were made for other exit costs, including property carrying costs, dismantlement costs, equipment removal and various contractual obligations.

The foregoing restructuring charges and related cost savings represent the Company's best estimates, but necessarily make numerous assumptions with respect to industry performance, general business and economic conditions, raw material and product pricing levels, the timing of implementation of the restructuring and related employee reductions and facility closings and other matters, many of which are outside the Company's control. The Company's estimates of cost savings, which are unaudited, are not necessarily indicative of future performance, which may be significantly more or less favorable than as set forth above and are subject to the considerations described under "Forward-Looking Statements" within "Management's Discussion and Analysis of Financial Condition and Results of Operations." Shareholders are cautioned not to place undue reliance on the estimates or the underlying assumptions and should appreciate that such information may not necessarily be updated to reflect circumstances existing after the date hereof or to reflect the occurrence of unanticipated events.

M. Short-Term Borrowings and Long-Term Debt

	1998	1997
Short-term borrowings (1)		
Commercial paper (2)	$1,374	$ 548
U.S. dollar bank loans/overdrafts	123	155
Other currency bank loans/overdrafts	834	682
Total short-term borrowings	$2,331	$1,385
Long-term debt		
U.S. Dollars:		
Commercial paper (2) (3)	$ 700	$ 700
Private placements: rates ranging from 7.0% to 7.54%, due 2000 through 2005	205	205
Senior notes and debentures:		
5.88% due 1998		100
7.00% due 1999	100	100
6.75% due 2003 (4)	400	400
6.75% due 2003	200	200
8.38% due 2005	300	300
7.00% due 2006 (4)	300	300
8.00% due 2023	200	200
7.38% due 2026	350	350
7.50% due 2096	150	150
Other indebtedness: rates in 1998 ranging from 5.5% to 8.62%, due 1999 through 2015	222	202
	3,127	3,207
Other currencies (average interest rate at December 31, 1998 in parentheses):		
Preference shares in French Francs (6.7%), due 1998		254
Other French Franc indebtedness (4.1% to 7.45%), due 1999 through 2015	85	98
Capital lease obligations in various currencies	43	43
Other indebtedness in various currencies (3.53% to 28.4%), due 1999 through 2004	68	98
Total long-term debt (5)	3,323	3,700
Less: current maturities	(135)	(399)
Total long-term debt	$3,188	$3,301

(1) The weighted average interest rates for commercial paper outstanding during 1998, 1997 and 1996, were 5.2%, 5.3% and 5.5%, respectively. The weighted average interest rates for notes and overdrafts outstanding during 1998, 1997 and 1996, were 5.6%, 6.4% and 6.3%, respectively.

(2) At December 31, 1998 and December 31,1997, $700 of commercial paper was reported as long-term, reflecting the Company's intent and ability to refinance these borrowings on a long-term basis through committed credit facilities.

(3) A committed $2.5 billion multicurrency revolving credit facility with a maturity of February 4, 2002 is available to support the commercial paper programs and short-term financing needs. The agreement contains certain financial covenants related to leverage and interest coverage. At December 31, 1998 and 1997, $517 and $355, respectively, was drawn against the facility.

(4) On December 12, 1996, two wholly-owned finance subsidiaries located in the United Kingdom and France, sold public debt securities which were fully guaranteed by the Company. The offerings by the subsidiaries, amounting to $700, were simultaneously converted into fixed rate 8.28% Sterling and 5.75% French Franc obligations through interest rate and currency swaps with various counterparties.

(5) The Company is also party to other interest rate swaps which mature in 2001. The notional amounts of these agreements do not represent amounts exchanged by the parties and are not a measure of the Company's exposure to credit or market risks. At December 31, 1998, the combined notional values of these swaps was $74. At December 31, 1997, the combined notional values of other interest rate swaps was $553.

Aggregate maturities of long-term debt for the five years subsequent to December 31, 1998 are $135, $161, $141, $95, and $638, respectively. Cash payments for interest were $377 in 1998, $379 in 1997 and $291 in 1996, respectively (including amounts capitalized of $6 in 1998, $6 in 1997 and $8 in 1996, respectively).

The estimated fair value of the Company's long-term borrowings, including interest rate financial instruments, based on quoted market prices for the same or similar issues or on current rates offered to the Company for debt of the same remaining maturities was $3,437 and $3,791 at December 31, 1998 and 1997, respectively.

N. Financial Instruments

In the normal course of business, the operations of the Company are exposed to fluctuations in currency values, interest rates, commodity prices and other market risks. The Company addresses these risks through a program that includes the use of financial instruments. The Company controls the credit risks associated with these financial instruments through credit approval, investment limits and centralized monitoring procedures and systems. The Company uses only liquid investments from creditworthy institutions and does not enter into leveraged, tiered or illiquid contracts. Further, the Company does not enter into financial instruments for trading purposes.

Foreign Currency Management

With respect to balance sheet exposures, the Company has an internal netting strategy to match foreign currency assets and liabilities wherever possible. This is achieved through the individual capital structure of overseas subsidiaries complemented by the use of financial instruments. The Company also enters into various types of foreign exchange contracts, principally forward exchange contracts and swaps, in managing the foreign exchange risk arising from certain foreign currency transactions. At December 31, 1998, the Company had outstanding forward exchange contracts, principally in European currencies, Singapore dollars, and US dollars (both buy and sell) for an aggregate notional amount of $2,680 ($2,902 at December 31, 1997). Based on year-end exchange rates and the maturity dates of the various contracts, the aggregate contract value of these items approximated fair value at December 31, 1998 and December 31, 1997. Gains and losses resulting from contracts that are designated and effective as hedges are recognized in the same period as the underlying hedged transaction.

Interest Rate Risk Management

The Company uses interest rate swaps, interest rate caps, and currency swaps to manage interest rate risk related to borrowings. Interest rate and currency swap agreements which hedge third party debt issues are described in Note M. Costs associated with these financial instruments are generally amortized over the lives of the instruments and are not material to the Company's financial results. Differences in interest, which are paid or received, are recognized as adjustments to interest expense.

Commodities

The Company's basic raw materials for its products are subject to significant price fluctuations. In terms of commodity risks, the Company uses a combination of commercial supply contracts and financial instruments, including forwards and options, to minimize these exposures. The maturity of the commodity instruments correlates to the actual purchases of the commodities. Commodity instruments are accounted for as hedges, with any gains or losses included in inventory, to the extent that they are designated and are effective as hedges of anticipated commodity purchases. At December 31, 1998 and December 31, 1997 the fair value of the outstanding commodity contracts was not material to the Company's earnings, cash flows or financial position.

O. Capital Stock

The purchase of CMB resulted in the issuance of approximately 37.3 million shares of the Company's common stock and 12.4 million shares of its 4.5% cumulative convertible preferred stock (acquisition preferred) to tendering CMB shareholders. The acquisition preferred stock ranks senior to the Company's common stock as to dividends and liquidation rights. Each share of acquisition preferred stock is convertible into common stock at a rate equal to the $41.8875 par value of such acquisition preferred stock divided by the applicable conversion price of $45.9715, subject to adjustment in certain events. The Company will at all times reserve and keep available, out of its authorized and unissued common stock, sufficient amounts of its common stock to effect any future conversions. The acquisition preferred stock is mandatorily convertible February 26, 2000 and has a liquidation value equivalent to its par value plus accrued and unpaid dividends.

The Board of Directors has the authority to issue, at any time or from time to time, up to a maximum of 30 million shares of additional preferred stock in one or more classes or series of classes. The additional preferred stock would rank on a parity with or junior to the acquisition preferred stock in respect of dividend and liquidation rights and such shares would not be entitled to more than one vote per share when voting as a class with holders of the Company's common stock. The voting rights and such designations, preferences, limitations and special rights are, subject to the terms of the Company's Articles of Incorporation, determined by the Board of Directors.

P. Earnings Per Share

The following table summarizes the basic and diluted earnings per share computations for 1998, 1997 and 1996:

	1998			1997			1996		
	Income	Average Shares	EPS	Income	Average Shares	EPS	Income	Average Shares	EPS
Net Income	$105			$294			$284		
Less: Preferred stock dividends	(17)			(23)			(20)		
Basic EPS	$ 88	124.4	$ .71	$271	128.4	$ 2.11	$264	122.5	$ 2.16
Potentially dilutive securities:									
Stock options		.1			.6			.3	
Assumed preferred stock conversion	17	8.4		23	11.3		20	9.6	
Diluted EPS	$105	132.9	$ .71*	$294	140.3	$ 2.10	$284	132.4	$ 2.14

* 1998 Diluted EPS is the same as Basic EPS due to the anti-dilutive effect from the assumed conversion of convertible preferred stock and the addback of preferred dividends.

Basic EPS excludes all potentially dilutive securities and is computed by dividing income available to common shareholders by the weighted average number of common shares outstanding during the period. Diluted EPS includes the assumed exercise and conversion of potentially dilutive securities, including stock options and convertible preferred stock, in periods when they are not anti-dilutive, otherwise; it is the same as Basic EPS.

Q. Stock Options

As of December 31, 1998, the Company currently has three stock-based incentive compensation plans under which the Company grants options to executives and key employees to purchase common stock. The number of shares authorized for issuance were 6,000,000 under the 1990 plan, 4,000,000 under the 1994 plan and 5,000,000 under the 1997 plan. Awards can be made in the form of stock options, deferred stock, restricted stock or stock appreciation rights ("SARs") and may be subject to the achievement of certain performance goals as determined by the Plan Committee as designated by the Board of Directors. There have been no issuances of deferred stock, restricted stock or SARs under any of the plans. Under all plans, the option exercise price equals the fair market value of the common shares on the date of the grant. Options generally become exercisable ratably over the first five years from the grant date and expire ten years after the date of grant.

In 1995, the Financial Accounting Standards Board issued SFAS No. 123, Accounting for Stock-Based Compensation ("SFAS No. 123"). Under the provisions of SFAS No. 123, companies can elect to account for stock-based compensation plans using a fair-value-based method or continue measuring compensation expense for those plans using the intrinsic value method prescribed in APB No. 25, Accounting for Stock Issued to Employees ("APB No. 25"). The Company applies APB No. 25 and related interpretations in accounting for its plans. Accordingly, no compensation cost has been recognized for these plans.

Stock option transactions were:

	1998		1997		1996	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Options outstanding at January 1	4,745,796	$44.54	4,625,708	$42.28	1,836,452	$33.30
Granted	1,109,032	47.56	877,350	52.27	3,544,750	44.35
Exercised	(195,571)	33.81	(281,380)	33.36	(516,100)	25.58
Canceled	(360,551)	44.54	(475,882)	43.39	(239,394)	39.94
Options outstanding at December 31	5,298,706	$45.51	4,745,796	$44.54	4,625,708	$42.28
Options exercisable at December 31	1,805,674		1,083,464		709,115	
Options available for grant at December 31	5,721,135		6,469,616		1,871,084	

The following table summarizes information concerning currently outstanding and exercisable options:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$20.53 to $38.50	616,742	6.0	$35.59	358,084	$37.59
38.63 to 43.13	268,016	3.0	40.76	192,801	40.43
44.13 to 52.75	3,654,448	5.1	45.96	1,110,589	44.83
53.00 to 54.38	759,500	8.2	53.13	144,200	53.01
	5,298,706	5.6	$45.51	1,805,674	$43.58

Had compensation cost for the Company's stock-based compensation plans been determined based on the fair value at the grant date for awards under those plans, consistent with the requirements of SFAS No. 123, net income and earnings per share would have been reduced to the following pro forma amounts:

		1998	1997	1996
Net income	As reported	$ 88	$ 271	$ 264
	Pro forma	$ 81	$ 264	$ 261
Basic earnings per share	As reported	$.71	$2.11	$2.16
	Pro forma	$.65	$2.05	$2.13
Diluted earnings per share	As reported	$.71	$2.10	$2.14
	Pro forma	$.65	$2.05	$2.12

The pro forma results may not be representative of the effects on reported income for future years. The fair value of each stock option has been estimated on the date of the grant using the Black-Scholes option pricing model with the following weighted average assumptions:

	1998	1997	1996
Risk-free interest rate	4.5%	5.7%	6.2%
Expected life of option	4.9 years	4.9 years	4.9 years
Expected stock price volatility	24.5%	21.7%	20.7%
Expected dividend yield	3.2%	2.0%	2.2%

The weighted average grant-date fair values for options granted during 1998, 1997 and 1996 were $9.96, $12.92, and $11.01, respectively.

R. Income Taxes

Pre-tax income for the years ended December 31 was taxed under the following jurisdictions:

	1998	1997	1996
Domestic	($130)	$ 49	$ 67
Foreign	310	408	364
	$180	$457	$431
The provision for income taxes consists of the following:			
Current tax provision:			
U.S. Federal	$ 5	$ 14	$ 15
State and foreign	52	41	28
	57	55	43
Deferred tax provision:			
U.S. Federal	(31)	10	17
State and foreign	48	83	74
	17	93	91
	$ 74	$148	$134

The provision for income taxes differs from the amount of income tax determined by applying the applicable U.S. statutory federal income tax rate to pre-tax income as a result of the following differences:

	1998	1997	1996
U.S. statutory rate	35.0%	35.0%	35.0%
Non-U.S. operations at different rates	(12.6)	(6.6)	(7.7)
Effect of non-U.S. statutory rate changes	(1.6)	(1.5)	
Amortization of acquisition adjustments	23.8	9.5	8.5
Valuation allowance	(2.5)	(2.7)	(4.0)
Other items, net	(1.0)	(1.3)	(.7)
Effective income tax rate.	41.1%	32.4%	31.1%

The Company received federal, state, local and foreign income tax refunds (net of payments) of $1 in 1998 and paid taxes (net of refunds) of $51 in 1997 and $41 in 1996. The components of deferred tax assets and liabilities at December 31, were:

	1998		1997	
	Asset	Liability	Asset	Liability
Depreciation		$420		$398
Postretirement and postemployment benefits	$221		$222	
Pensions		68		91
Inventories		27		27
Tax loss and credit carryforwards	232		210	
Restructuring	26		41	
Accruals and other	120	55	88	26
	599	570	561	542
Valuation allowance	(94)		(125)	
	$505	$570	$436	$542

Prepaid expenses and other current assets include $52 and $95 of deferred tax assets at December 31, 1998 and 1997, respectively. Other non-current assets include $324 and $187 of deferred tax assets at December 31, 1998 and 1997, respectively.

The Company has recorded $61 of deferred tax assets arising from tax loss and credit carryforwards which will be realized through future operations and an additional $77 which will be realized through the reversal of existing temporary differences. Future recognition of the remaining $94 will be achieved either when the benefit is realized or when it has been determined that it is more likely than not that the benefit will be realized through future earnings. Carryforwards of $80 expire over the next five years; $49 expire in years six through fifteen; and $103 can be utilized over an indefinite period.

The valuation allowance of $94 includes $61 which, if reversed in future periods, will reduce goodwill.

The cumulative amount of the Company's share of undistributed earnings of non-U.S. subsidiaries for which no deferred taxes have been provided was $549 as of December 31, 1998. Management has no plans to distribute such earnings in the foreseeable future.

S. Pensions and Other Retirement Benefits

Pensions

The Company sponsors various pension plans, covering substantially all U.S. and Canadian and some non-U.S. and non-Canadian employees, and participates in certain multi-employer pension plans. The benefits under these plans are based primarily on years of service and the employees' remuneration near retirement. Contributions to multi-employer plans in which the Company and its subsidiaries participate are determined in accordance with the provisions of negotiated labor contracts or applicable local regulations. The Company's objective in funding its pension plans is to accumulate funds sufficient to provide for all accrued benefits. In certain countries the funding of pension plans is not a common practice as funding provides no economic benefit. Consequently, the Company has several pension plans which are not funded.

Plan assets of company-sponsored plans of $3,311 consist principally of common stocks, fixed income securities and other investments, including $177 of the Company's common stock.

The 1998, 1997 and 1996 components of pension (income)/cost were as follows:

	U.S.			Non-U.S.		
	1998	1997	1996	1998	1997	1996
Service cost	$ 10	$ 8	$ 12	$ 29	$ 26	$ 30
Interest cost	88	93	89	140	136	111
Expected return on plan assets	(145)	(147)	(128)	(233)	(206)	(160)
Recognized actuarial (gain)/loss	(1)	(2)	1	2		1
Recognized prior service cost	1	1	1		1	1
Cost/(income)attributable to plant closings	12	1	(1)	(3)	(1)	
Total pension income	($ 35)	($ 46)	($ 26)	($ 65)	($ 44)	($ 17)

Additional pension expense of $8, $9 and $8 was recognized in 1998, 1997 and 1996 for non-Company sponsored plans.

The projected benefit obligation, accumulated benefit obligation and fair value of plan assets for the U.S. pension plans with accumulated benefit obligations in excess of plan assets were $823, $812 and $699, respectively, as of December 31, 1998, and $23, $21, and $8, respectively, as of December 31, 1997.

The projected benefit obligation, accumulated benefit obligation and fair value of plan assets for the non-U.S. pension plans with accumulated benefit obligations in excess of plan assets were $259, $220, and $104, respectively, as of December 31, 1998, and $211, $184, and $64, respectively, as of December 31, 1997.

Changes in the benefit obligation and plan assets for 1998 and 1997 were as follows:

	U.S.		Non-U.S.	
	1998	1997	1998	1997
Change in Benefit Obligation				
Benefit obligation at January 1	$1,237	$1,191	$1,771	$1,685
Service cost	10	8	29	26
Interest cost	88	93	140	136
Plan participants' contributions	1	1	10	11
Amendments	8	4		2
Settlements and curtailments			(10)	(11)
Special termination benefits	12	1		
Actuarial loss	50	64	121	101
Benefits paid	(119)	(125)	(113)	(102)
Foreign currency exchange rate changes			9	(77)
Benefit obligation at end of year	$1,287	$1,237	$1,957	$1,771
Change in Plan Assets				
Fair value of plan assets at January 1	$1,381	$1,337	$2,143	$1,958
Actual return on plan assets	(39)	165	25	339
Employer contributions	2	3	17	20
Plan participants' contributions	1	1	10	11
Benefits paid	(119)	(125)	(113)	(102)
Settlement				(11)
Foreign currency exchange rate changes			3	(72)
Fair value of plan assets at December 31	$1,226	$1,381	$2,085	$2,143
Plan assets(less than)/in excess of benefit obligation	($ 61)	$ 144	$ 128	$ 372
Net transition obligation	7	8		
Unrecognized actuarial loss/(gain)	182	(53)	168	(148)
Unrecognized prior service cost	16	8	3	4
Net amount recognized	$ 144	$ 107	$ 299	$ 228

Amounts recognized in the balance sheet consist of:

	U.S. 1998	U.S. 1997	Non-U.S. 1998	Non-U.S. 1997
Prepaid benefit cost	$ 118	$ 113	$ 415	$ 345
Accrued benefit liability	(116)	(16)	(162)	(146)
Intangible asset	23	10	3	3
Accumulated other comprehensive income	119		43	26
Net amount recognized	$ 144	$ 107	$ 299	$ 228

The weighted average actuarial assumptions for the Company's pension plans are as follows:

	U.S. Plans			Non-U.S. Plans		
	1998	1997	1996	1998	1997	1996
Discount rate	7.1%	7.4%	8.0%	7.2%	8.0%	8.8%
Compensation increase	3.5%	3.5%	3.5%	5.3%	6.0%	6.5%
Long-term rate of return	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%

Other Postretirement Benefit Plans

The Company and certain subsidiaries sponsor unfunded plans to provide health care and life insurance benefits to pensioners and survivors. Generally, the medical plans pay a stated percentage of medical expenses reduced by deductibles and other coverages. Life insurance benefits are generally provided by insurance contracts. The Company reserves the right, subject to existing agreements, to change, modify or discontinue the plans.

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

	1998	1997	1996
Service cost	$ 4	$ 4	$ 4
Interest cost	40	39	39
Recognized actuarial gain	(1)	(1)	(1)
Recognized prior service cost	(1)	(2)	
Loss attributable to plant closings	4		
Net periodic benefit cost	$ 46	$ 40	$ 42

The following provides the components of the changes in the benefit obligation, and reconciles the obligation to the amount recognized:

	1998	1997
Benefit obligations at January 1	$ 548	$ 504
Service cost	4	4
Interest cost	40	39
Special termination benefits	4	
Actuarial loss	25	47
Benefits paid	(51)	(46)
Foreign currency exchange rate changes	(2)	
Benefit obligation at December 31	568	548
Unrecognized actuarial gain	16	41
Unrecognized prior service cost	11	12
Net amount recognized	$ 595	$ 601

The health care accumulated postretirement benefit obligation was determined at December 31, 1998 and 1997 using health care trend rates of 8.0% and 8.7%, respectively, decreasing to 4.8% over seven years and eight years, respectively. The assumed long-term rate of compensation increase used for life insurance was 3.5% at both December 31, 1998 and 1997. The discount rate was 7.1% and 7.4% at December 31, 1998 and 1997, respectively. Changing the assumed health care cost trend rate by one percentage point in each year would change the accumulated postretirement benefit obligation by $41 and the total of service and interest cost by $3.

Employee Savings Plan

The Company sponsors a Savings Investment Plan which covers substantially all domestic salaried employees who are 21 years of age with one or more years of service. The Company matches with equivalent value of Company stock, up to 1.5% of a participant's compensation.

Employee Stock Purchase Plan

The Company also sponsors an Employee Stock Purchase Plan which covers all domestic employees with one or more years of service who are non-officers and non-highly compensated as defined by the Internal Revenue Code. Eligible participants contribute 85% of the quarter-ending market price towards the purchase of each common share. The Company's contribution is equivalent to 15% of the quarter-ending market price. Total shares purchased under the plan in 1998 and 1997 were 112,471 and 89,392, respectively, and the Company's contributions were approximately $1 for both years.

T. Segment Information by Industry Segment and Geographic Area

In 1998, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 131, "Disclosures about Segments of an Enterprise and Related Information." SFAS 131 supersedes SFAS 14, "Financial Reporting for Segments of a Business Enterprise," replacing the "industry segment" approach with a "management" approach. The prior years' segment information has been restated to the new presentation. The management approach presents segments according to the internal organization used by management for making operating decisions and assessing performance. SFAS 131 also requires disclosures about enterprise-wide products and services, significant geographic operations and major customers. The adoption of SFAS 131 does not affect results of operations or financial position but does affect the disclosures for segment information.

The Company is organized on the basis of geographic regions with three reportable segments: Americas, Europe and Asia-Pacific. The Americas includes the United States, Canada and South and Central America. Europe includes Europe, Africa and the Middle East. Although the economic environments within each of these reportable segments are quite diverse, they are similar in the nature of their products, the production processes, the types or classes of customers for products and the methods used to distribute products. Asia-Pacific, although below reportable segment thresholds, has been designated as a reportable segment because considerable review is made of this region for the allocation of resources. Each reportable segment is an operating division within the Company and has a President reporting directly to the Chief Executive Officer and the Chief Operating Officer. "Other" includes Corporate activities, such as Corporate Technology and, prior to 1998, includes the divested machinery operations of Crown-Simplimatic.

The Company evaluates performance and allocates resources based on operating income, that is, income before net interest, foreign exchange and gain/(loss) on sale of assets. The accounting policies for each reportable segment are the same as those described in the Summary of Significant Accounting Policies.

On an enterprise-wide basis, the Company's major products and their distribution along geographic lines along with related long-lived assets are presented below.

Sales for major products were:

PRODUCTS	1998	1997	1996
Metal beverage cans and ends	$2,554	$2,485	$2,299
Metal food cans and ends	2,562	2,590	2,540
Other metal packaging	1,478	1,548	1,494
Plastic packaging	1,535	1,554	1,712
Other products	171	318	287
Consolidated net sales	$8,300	$8,495	$8,332

Sales and long-lived assets for the major countries in which the Company operates were:

	Net Sales			***Long-lived Assets***		
GEOGRAPHIC	1998	1997	1996	1998	1997	1996
United States	$3,337	$3,394	$3,327	$1,351	$1,421	$1,436
United Kingdom	1,112	1,241	1,225	522	474	461
France	832	839	882	332	306	296
Other*	3,019	3,021	2,898	1,538	1,463	1,524
Consolidated total	$8,300	$8,495	$8,332	$3,743	$3,664	$3,717

* "Other" includes Other Europe, Africa, Middle East, Canada, South and Central America and Asia-Pacific.

For the years ended December 31, 1998, 1997 and 1996, respectively, no one customer accounted for more than 10% of the Company's consolidated net sales.

The tables below present information about reportable segments for the years ending December 31, 1998, 1997, 1996:

December 31, 1998	Americas	Europe	Asia-Pacific	Other	Total
External sales	$4,077	$3,888	$335		$ 8,300
Depreciation & Amortization	219	271	26	$ 17	533
Restructuring & other charges	85	77	3	139	304
Segment income	289	479		(211)	557
Capital expenditures	161	300	7	19	487
Equity investments	30	43		18	91
Deferred tax assets	137	186	5	48	376
Segment assets	4,511	7,176	520	262	12,469

December 31, 1997	Americas	Europe	Asia-Pacific	Other	Total
External sales	$4,021	$4,045	$369	$ 60	$ 8,495
Depreciation & Amortization	244	253	28	15	540
Restructuring & other charges	55	12			67
Segment income	280	553	7	(74)	766
Capital expenditures	176	301	19	19	515
Equity investments	30	37		23	90
Deferred tax assets	81	196	4	1	282
Segment assets	4,721	6,941	509	135	12,306

December 31, 1996	Americas	Europe	Asia-Pacific	Other	Total
External sales	$3,823	$3,987	$384	$138	$ 8,332
Depreciation & Amortization	232	223	34	7	496
Restructuring & other charges	9	30	1		40
Segment income	284	450	13	(71)	676
Capital expenditures	225	281	90	35	631
Equity investments	29	48	6	7	90
Deferred tax assets	52	339	15	2	408
Segment assets	4,563	7,199	614	214	12,590

A reconciliation of segment income to consolidated pre-tax income for the years ended December 31, 1998, 1997 and 1996 is as follows:

INCOME	1998	1997	1996
Segment income	$557	$766	$676
Interest expense	408	379	328
Interest income	(45)	(39)	(22)
Gain on sale of assets		(38)	(24)
Translation & exchange adjustments	14	7	(37)
Consolidated pre-tax income	$180	$457	$431

U. Quarterly Data (unaudited)

(in millions)	1998				1997			
	First	Second	Third	Fourth	First	Second	Third	Fourth
Net sales	$1,892	$2,245	$2,291	$1,872	$1,938	$2,287	$2,341	$1,929
Gross profit*	285	412	199(1)	288(3)	286	394	332(4)	293
Net income (loss) available to common shareholders	36	122	(25)(1)	(45)(2)	33	126	80(4)	32(5)
Earnings per average common share:**								
Basic	$ .29	$ .98	($ .20)(1)	($ .37)(2)	$ .26	$ .98	$ .62(4)	$ .25(5)
Diluted	†	.95	†	†	†	.94	.61(4)	†
Dividends per common share	.25	.25	.25	.25	.25	.25	.25	.25
Average common shares outstanding (in millions):								
Basic	127.1	124.4	123.7	122.3	128.5	128.6	128.3	128.4
Diluted	137.8	132.8	131.6	130.0	140.5	140.6	140.1	140.0
*Common stock price range:****								
High	$ 55 3/16	$ 54 11/16	$ 48 1/2	$ 35 3/4	$ 59 3/4	$ 58 1/2	$ 56 7/8	$ 51 3/16
Low	46 1/2	45 9/16	25 5/8	24	51 5/8	51 1/8	44 7/8	43 9/16
Close	53 1/2	47 1/2	26 3/4	30 13/16	51 5/8	53 7/16	46 1/8	50 1/8

† Diluted earnings per share for the first, third and fourth quarters of 1998 and the first and fourth quarters of 1997 are the same as Basic because the assumed conversion of convertible preferred stock is anti-dilutive.

* The Company defines gross profit as net sales less cost of products sold, depreciation and amortization (excluding goodwill amortization) and the provision for restructuring.

** The sum of the quarterly earnings per share does not equal the year-to-date earnings per share due to the effect of shares issued during the year.

*** Source: New York Stock Exchange – Composite Transactions.

(1) Includes pre-tax restructuring charges of $187; $127 after taxes or $1.03 per basic share and $.96 per diluted share. Excluding the impact of the restructuring charges, net income was $102 or $.82 per basic share and $.80 per diluted share. See Note L for additional details.

(2) Includes an after-tax charge for litigation of $78 or $.64 per basic share and $.60 per diluted share. Excluding the impact of the litigation charge, net income was $33 or $.27 per basic and diluted share. See Note K for additional details.

(3) Includes an adjustment of $8 to the third quarter restructuring provision. The reduction in the provision was offset by lower tax benefits expected from such charges.

(4) Includes pre-tax restructuring charges of $67; $43 after taxes or $.34 per basic share and $.31 per diluted share. Excluding the impact of restructuring charges, net income was $123 or $.96 per basic share and $.92 per diluted share. See Note L for additional details.

(5) Includes the after-tax charge of $8 or $.06 per basic and diluted share for the cumulative effect of an accounting change. Excluding the impact of the accounting change, net income was $40 or $.31 per basic and diluted share. See Note B for additional details.

Five Year Summary Of Selected Financial Data

(in millions, except per share, ratios and other statistics)

	1998	1997	1996	1995	1994
Summary of Operations					
Net sales	$ 8,300	$ 8,495	$ 8,332	$ 5,054	$ 4,452
Cost of products sold	6,527	6,708	6,733	4,319	3,706
Depreciation and amortization	533	540	496	256	218
Selling and administrative expense	379	414	387	139	135
% to net sales	4.6%	4.9%	4.6%	2.8%	3.0%
Provision for restructuring and other charges	304	67	40	103	115
Gain on sale of assets		(38)	(24)	(8)	(7)
Interest expense, net of interest income	363	340	306	136	92
Translation and exchange adjustments	14	7	(37)	(1)	10
Income before income taxes and cumulative effect of accounting changes	180	457	431	110	183
% to net sales	2.2%	5.4%	5.2%	2.2%	4.1%
Provision for income taxes	74	148	134	25	56
Minority interests, net of equity earnings	(1)	(7)	(13)	(10)	4
Net income before cumulative effect of accounting changes	105	302	284	75	131
% to net sales	1.3%	3.6%	3.4%	1.5%	2.9%
Cumulative effect of accounting changes *(1)*		(8)			
Net income *(2)*	105	294	284	75	131
Preferred stock dividends	17	23	20		
Net income available to common shareholders	$ 88	$ 271	$ 264	$ 75	$ 131
Return on average shareholders' equity *(3)*	3.2%	8.3%	11.3%	5.3%	10.0%
Financial Position at December 31					
Working capital	($ 1,542)	($ 902)	($ 371)	$ 430	$ 123
Total assets	12,469	12,306	12,590	5,052	4,781
Short-term debt plus current long-term debt maturities	2,466	1,784	1,154	608	736
Long-term debt	3,188	3,301	3,924	1,490	1,090
Total debt to total capitalization	62.3%	56.1%	56.4%	56.2%	55.3%
Minority interests	280	283	244	119	75
Shareholders' equity	2,975	3,529	3,563	1,461	1,365
Common Share Data (dollars per share)					
Earnings per average common share					
Basic - before cumulative effect of accounting change	$ .71	$ 2.17	$ 2.16	$ .83	$ 1.47
after cumulative effect of accounting change		2.11			
Diluted -before cumulative effect of accounting change	.71	2.15	2.14	.83	1.46
after cumulative effect of accounting change		2.10			
Cash Dividends	1.00	1.00	1.00		
Market price on December 31	30.81	50.13	54.38	41.75	37.75
Book value (based on year-end outstanding shares plus assumed conversion of preference shares)	22.89	25.26	25.50	16.13	15.27
Number of shares outstanding at year-end	122.3	128.4	128.4	90.6	89.4
Average shares outstanding					
Basic	124.4	128.4	122.5	90.2	89.1
Diluted	132.9	140.3	132.4	90.6	89.9
Shareholders (on record)	5,644	5,763	5,736	5,976	6,011
Other Statistics					
Capital expenditures	$ 487	$ 515	$ 631	$ 434	$ 440
Number of Employees	38,459	40,985	44,611	20,409	22,373
Actual preferred shares outstanding	8.4	12.4	12.4		

Notes:

Total capitalization includes total debt (net of cash and cash equivalents), minority interests and shareholders' equity.

Certain reclassifications of prior years' data have been made to improve comparability. The Company has completed a number of acquisitions during the periods presented. Such acquisitions were accounted for using the purchase method and may affect the comparability of data on a year-to-year basis.

(1) The cumulative effect of accounting changes resulted from the adoption by the Company of EITF Bulletin 97-13 in 1997.

(2) Figures for 1998, 1997, 1996, 1995 and 1994 include after-tax adjustments for restructuring, $127 or $1.02 per basic share and $.95 per diluted share; $43 or $.33 per basic share and $.31 per diluted share; $32 or $.26 per basic share and $.24 per diluted share; $67 or $.74 per basic share and diluted share; and $73 or $.82 per basic share and $.81 per diluted share, respectively. Net income for 1998 also includes an after-tax charge for litigation, $78 or $.63 per basic share and $.59 per diluted share.

(3) Excluding the adjustment for restructuring, litigation and the cumulative effect of accounting changes, the return on average shareholders' equity in 1998, 1997, 1996, 1995 and 1994 would have been 9.2%, 9.7%, 12.6%, 10.0% and 15.6%, respectively.

Management's Report to Crown Shareholders

The accompanying financial statements of Crown Cork & Seal Company, Inc. and its consolidated subsidiaries were prepared by management, which is responsible for their integrity and objectivity. The statements were prepared in accordance with generally accepted accounting principles and include amounts that are based on management's best judgments and estimates. The other financial information included in this Annual Report is consistent with that in the financial statements.

The Company maintains accounting and reporting systems supported by an internal accounting control system, which management believes are adequate to provide reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition and financial records are reliable for preparing financial statements.

The adequacy of the Company's internal accounting controls and the accounting principles employed in financial reporting are under the general oversight of the Audit Committee of the Board of Directors. This Committee also has responsibility for employing the independent accountants. No member of this Committee is an Officer or full-time employee of the Company or any subsidiary.

W. J. Avery
Chairman of the Board
and Chief Executive Officer

A. W. Rutherford
Executive Vice President
and Chief Financial Officer

Report of Independent Accountants

To the Shareholders and Board of Directors of Crown Cork & Seal Company, Inc.

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, shareholders' equity and cash flows appearing on pages 7 to 28 of this report, present fairly, in all material respects, the financial position of Crown Cork & Seal Company, Inc. and its subsidiaries at December 31, 1998 and 1997, and the results of their operations and cash flows for each of the three years in the period ended December 31, 1998, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Thirty South Seventeenth Street
Philadelphia, Pennsylvania 19103
March 17, 1999

Management's Discussion and Analysis of Financial Condition and Results of Operations

(in millions, except per share, employee, shareholder and statistical data; per share earnings are quoted as diluted)

INTRODUCTION

This discussion summarizes the significant factors affecting the results of operations and financial condition of Crown Cork & Seal Company, Inc. (the "Company") during the three-year period ended December 31, 1998. This discussion should be read in conjunction with the letter to Shareholders and the Consolidated Financial Statements included in this annual report.

Effective February 22, 1996, the Company completed its acquisition of CarnaudMetalbox (CMB). The consolidated financial statements include the results of CMB operations from this date.

Financial results (operating income, pre-tax income, net income and earnings per share) for 1998, 1997 and 1996 were impacted by restructuring and other charges or accounting changes. These items are summarized below:

RESTRUCTURING AND OTHER CHARGES

Pre-tax income was charged for $304 ($205 after taxes or $1.54 per share), $67 ($43 after taxes or $.31 per share) and $40 ($32 after taxes or $.24 per share) in 1998, 1997 and 1996, respectively.

Further information concerning the details of the restructuring plans, including a reconciliation of the restructuring accrual is included in Note L to the Consolidated Financial Statements and under Provision for Restructuring as provided later in this discussion. Further information concerning the details of the other charge is included in Note K to the Consolidated Financial Statements and under Provision for Litigation as provided later in this discussion.

ACCOUNTING CHANGES

During the fourth quarter of 1997, the Company implemented EITF 97-13 retroactive to October 1, 1997. The after-tax effect of this accounting change was a one-time charge to 1997 earnings of $8 or $.05 per share. The incremental charge to 1997 earnings in the fourth quarter from this accounting change was not significant. This accounting change did not, and will not, have any cash flow impact on the Company and is more fully described in Note B to the Consolidated Financial Statements.

RESULTS OF OPERATIONS

The Company is organized on the basis of geographic regions with three reportable segments: Americas, Europe and Asia-Pacific. The Americas includes the United States, Canada and South and Central America. Europe includes Europe, Africa and the Middle East. Although the economic environments within each of these reportable segments are quite diverse, they are similar in the nature of their products, the production processes, the types or classes of customers for products and the methods used to distribute products. Asia-Pacific, although below reportable segment thresholds, has been designated as a reportable segment because considerable review is made of this region for the allocation of resources. Each reportable segment is an operating division within the Company and has a President reporting directly to the Chief Executive Officer and the Chief Operating Officer. "Other" includes Corporate activities, such as Corporate Technology and, prior to 1998, included the divested machinery operations of Crown-Simplimatic.

The Company evaluates performance and allocates resources based on operating income, that is, income before net interest, foreign exchange and gain(loss) on sale of assets. The accounting policies for each reportable segment are the same as those described in Note A, "Summary of Significant Accounting Policies."

NET SALES

Net sales during 1998 were $8,300, a decrease of $195 versus 1997 net sales of $8,495. Net sales during 1996 were $8,332. Sales from U. S. operations decreased 1.7% in 1998 compared with a 2.0% increase in 1997. Non-U. S. sales decreased 2.7% in 1998 following a 1.9% increase in 1997. U. S. sales accounted for 40.2% of consolidated net sales in 1998, 40.0% in 1997 and 39.9% in 1996.

	Net Sales			% Increase/ (Decrease)	
DIVISION	1998	1997	1996	1998/1997	1997/1996
Americas	$4,077	$4,021	$3,823	1.4	5.2
Europe	3,888	4,045	3,987	(3.9)	1.5
Asia-Pacific	335	369	384	(9.2)	(3.9)
Other		60	138		(56.5)
	$8,300	$8,495	$8,332	(2.3)	2.0

The increase in 1998 Americas Division net sales is a result of (i) sales unit volume increases across most U.S. and Canadian product lines, most notably beverage cans, aerosol cans, PET beverage bottles and beverage closures, (ii) increased sales unit volumes of beverage cans in Argentina, Brazil and Mexico and (iii) initial sales unit volumes at the Company's new beverage can plant in Colombia; offsetting (i) sales unit volume decreases of food cans in the U.S. and Canada and (ii) decreased raw material prices which forced decreases in selling prices, primarily in PET bottles. The increase in 1997 Americas Division net sales is a result of (i) sales unit volume increases across most U.S. product lines and (ii) initial sales volumes at the Company's new beverage can and end plants in Brazil; offsetting decreased raw material prices which resulted in decreased selling prices, primarily in PET bottles and aluminum cans and ends. U.S. sales accounted for approximately 81.8% of division net sales in 1998, 84.4% in 1997 and 87.0% in 1996.

Management's Discussion and Analysis

Excluding the unfavorable impact of foreign currency translation and business divestitures, net sales in the European Division decreased 2.1% in 1998 versus 1997. The decrease is a result of (i) lower PET resin costs passed on to customers in the form of lower selling prices, (ii) lower food can volumes in the United Kingdom and Spain, (iii) lower beverage can volumes in the United Kingdom and Turkey and (iv) lower aerosol volumes in the United Kingdom; offset by (i) increased food can volumes in France and Italy, (ii) increased beverage closure volumes throughout the division and (iii) increased beverage can volumes in Spain and the United Arab Emirates. Demand for several of the Company's products in the United Kingdom was adversely affected by the strong pound sterling during 1998. Not only was it more difficult for our customers to export filled products, but their local market was made more competitive by filled imports. Net sales in the European Division increased marginally in 1997 as a result of (i) the consolidation of CMB activity for the full year versus only 45 weeks in 1996 and (ii) increased sales unit volumes of PET beverage bottles and plastic beverage closures due to strong customer demand; offset by (i) the appreciation of the U.S. dollar against most European currencies which reduced division net sales by approximately $310 and (ii) sales unit volume decreases of food and beverage cans. Pricing remained very competitive across all product lines.

Net sales in 1998 as compared to 1997 for the Asia-Pacific Division decreased as a result of (i) the appreciation of the U.S. dollar against most Southeast Asian currencies which reduced division net sales by $20, (ii) lower food can sales unit volumes primarily reflecting the restructuring of operations in Malaysia and Singapore in 1997, (iii) competitive pricing across all product lines throughout the division due mainly to excess capacity and (iv) political unrest which hampered economic growth in several Southeast Asian countries; offset by increased sales unit volumes of (i) beverage cans in China, Singapore and Vietnam and (ii) food cans in Thailand. Net sales in the Asia-Pacific Division decreased in 1997 as compared to 1996 as a result of (i) foreign currency translation which reduced division net sales by $25, (ii) excess beverage can capacity and aggressive competition which eroded selling prices in China, (iii) the closure of several plants in the region since the second quarter of 1996; partially offset by (i) the consolidation of CMB activity for a full year versus only 45 weeks in 1996 and (ii) increased sales unit volumes of (a) beverage cans throughout the division and (b) food cans in Thailand.

COST OF PRODUCTS SOLD

Cost of products sold, excluding depreciation and amortization, for 1998 was $6,527; a 2.7% decrease from $6,708 in 1997, following a decrease of .4% in 1997 and an increase of 55.9% in 1996. The decreases in 1998 and 1997 cost of products sold are attributable to cost savings from restructuring programs, the appreciation of the U.S. dollar against many foreign currencies and decreased PET resin prices, offsetting increased sales unit volumes in many product lines. The increase in 1996 cost of products sold was attributable to the increased net sales level in 1996 partially offset by decreased raw material prices.

As a percentage of net sales, cost of products sold was 78.6% in 1998 as compared to 79.0% in 1997 and 80.8% in 1996. The improvement in 1998 gross margin is due primarily to the benefits derived from the Company's continuing cost containment and restructuring programs partially offset by competitive influences on selling prices.

SELLING AND ADMINISTRATIVE

Selling and administrative expenses for 1998 were $379, a decrease of 8.5% from 1997 compared to increases of 7.0% for 1997 and 178.0% for 1996. The decrease in 1998 costs is primarily related to the restructuring activities within acquired CMB operations. The relative increase in 1997 costs and their percentage to net sales is directly related to the consolidation of CMB activity for a full year in 1997 as compared to only 45 weeks in 1996. As a percentage of net sales, selling and administrative expenses were 4.6% in 1998, 4.9% in 1997 and 4.6% in 1996.

OPERATING INCOME

The Company views operating income as the principal measure of performance before interest costs and other nonoperating expenses. Operating income, after restructuring and other charges, was $557, $766 and $676 in 1998, 1997 and 1996, respectively. Operating income, before restructuring and other charges, at $861 in 1998, was $28 greater than in 1997. Operating income, before the restructuring charge, at $833 in 1997, was $117 greater than in 1996. Operating income, before restructuring and other charges, as a percentage of net sales was 10.4% in 1998 as compared to 9.8% in 1997 and 8.6% in 1996.

An analysis of operating income, before restructuring and other charges, by operating division follows:

	Operating Income			% Increase/ (Decrease)	
DIVISION	1998	1997	1996	1998/1997	1997/1996
Americas	$374	$335	$293	11.6	14.3
Europe	556	565	480	(1.6)	17.7
Asia-Pacific	3	7	14	(57.1)	(50.0)
Other	(72)	(74)	(71)	2.7	(4.2)
	$861	$833	$716	3.4	16.3

Operating income in the Americas Division was 9.2% of net sales in 1998 versus 8.3% in 1997 and 7.7% in 1996. The increase in 1998 operating income and margins is due to (i) increased sales unit volumes in the U.S. and Canada across most product lines, (ii) increased manufacturing efficiencies in the U.S. and (iii) the benefits derived from restructuring, capital expenditure and other cost improvement programs initiated in recent years; offsetting (i) continued U.S. pricing pressures in food cans and in both metal and plastic beverage containers, (ii) lower beverage can pricing in Argentina and Brazil and (iii) sales unit volume decreases of food cans in the U.S.

Management's Discussion and Analysis

and Canada. The increase in 1997 operating margins is due to (i) increased and Canada.sales unit volumes in the U.S. and Canada across most product lines, (ii) increased manufacturing efficiencies in most U.S. and Canadian plants due to the completion of the 202 diameter conversion programs in 1996 and (iii) the startup of the Company's new beverage can and beverage end plants in Brazil; offsetting (i) continued pricing pressures in both metal and plastic beverage containers, (ii) lower sales unit volumes of 2 liter PET beverage bottles and (iii) weak demand for beverage cans in Mexico and Argentina. The Company has entered into contracts with its suppliers of aluminum can and end sheet which, by formula, guarantees prices for a period of six months. This pricing structure is directly tied to a rolling average of the prior six months' market price of aluminum on the LME. Further, "ceiling" prices have been established under these contracts which set maximum prices that the Company would pay for aluminum.

European Division operating income was 14.3% as a percentage of net sales in 1998 compared to 14.0% in 1997 and 12.0% in 1996. The decrease of $9 in operating income in 1998 is a result of (i) the appreciation of the U.S. dollar against most European currencies, (ii) very competitive food can pricing in France and Italy and (iii) decreased sales unit volumes in the United Kingdom across several product lines. However, operating income, as a percentage to net sales, increased over 1997 due to cost savings achieved by restructuring and modernizing acquired CMB and existing Company operations. The increase in operating income in 1997 is directly attributable to (i) cost reduction programs initiated by the Company upon the acquisition of CMB whereby inefficient plants, products with negative contribution and excess administrative overheads were eliminated, (ii) increased sales unit volumes in PET beverage bottles, plastic closures and aerosol cans and (iii) better market conditions for specialty cans; offsetting (i) foreign exchange translation which reduced 1997 operating income by approximately $35, (ii) decreased sales unit volumes of food cans in Greece and Italy due to poor early season weather and (iii) decreased sales unit volumes of beverage cans and ends.

Operating income in the Asia-Pacific Division was .9% of net sales in 1998 versus 1.9% in 1997 and 3.6% in 1996. The decrease in 1998 and 1997 operating margins is due to (i) competitive pricing across all product lines throughout the division and (ii) the ongoing appreciation of the U.S. dollar against most Southeast Asian currencies offsetting (i) strong sales unit volumes of beverage cans in China, Singapore, and Vietnam, (ii) strong sales unit volumes of food cans in Thailand and (iii) the benefits accruing to the Company from the closure of ten plants since the second quarter of 1996.

GAIN ON SALE OF ASSETS

On May 14, 1997, the Company sold its Crown-Simplimatic Machinery operations to a group of investors, including division management. The selling price of $105 included $90 in cash and $15 of 8% Class A Preferred Stock that is convertible into approximately 20% of the common stock of Crown-Simplimatic. The Company also sold ten surplus properties in 1997. Gains, totaling $38, were realized from the sales of the machinery operations and surplus properties in 1997 as compared to gains of $24 in 1996.

NET INTEREST EXPENSE/INCOME

Net interest expense was $363 in 1998, an increase of $23 when compared to 1997 net interest expense of $340. Net interest expense was $306 in 1996. The increase in 1998 net interest expense is due primarily to the repurchase of common and preferred stock made in March 1998. The increase in 1997 net interest expense is due to (i) borrowings used in the acquisition of CMB remaining outstanding for the full year as compared to only 45 weeks in 1996 and (ii) cash requirements for restructuring programs. Further information regarding acquisitions is found in Note I to the Consolidated Financial Statements, while information specific to Company financing and repurchases of common and preferred stock is presented in the Liquidity and Capital Resources section of this discussion and Note M to the Consolidated Financial Statements.

FOREIGN EXCHANGE

Unfavorable foreign exchange adjustments of $14 and $7 were recorded in 1998 and 1997, respectively, primarily from the remeasurement of the Company's operations in highly inflationary economies. Favorable foreign exchange adjustments of $37 were recorded in 1996. During 1996, the Company recorded a foreign exchange gain of $42 due to the impact of a stronger U.S. dollar on the Company's CMB acquisition financing, denominated in French Francs. This French Franc acquisition debt was subsequently refinanced into several functional currencies during 1996.

TAXES ON INCOME

The effective tax rates on income were 41.1%, 32.4% and 31.1% in 1998, 1997 and 1996, respectively. Excluding restructuring and other charges, the effective tax rates were 35.7%, 32.8% and 30.1% in 1998, 1997 and 1996, respectively. The increase in the effective tax rate in 1998 is principally a result of the effect of non-deductible goodwill amortization having a greater percentage impact on lower pre-tax income. The effective rate was lower than the U.S. statutory rate of 35% in 1997 and 1996 as a result of lower effective rates in non-U.S. operations and the continuing reevaluation of reserve and valuation allowance requirements; partially offset by nondeductible amortization of goodwill and other intangibles. A reconciliation of the Company's effective tax rate from the U.S. statutory rate is presented in Note R to the Consolidated Financial Statements.

MINORITY INTERESTS, NET OF EQUITY EARNINGS

Minority interests' share of net income was $5, $9 and $6 in 1998, 1997 and 1996, respectively. The decrease in minority interests in 1998 is due primarily to (i) decreased

Management's Discussion and Analysis

profits in China, (ii) start-up losses in Colombia and (iii) charges incurred to close the Hong Kong plant offset by increased profits in Morocco.

Equity in earnings/(losses) of affiliates was $4, $2 and ($7) in 1998, 1997 and 1996, respectively. The increase in equity earnings in 1998 primarily relates to (i) improved earnings in the Company's non-consolidated affiliates in Mexico and Venezuela and (ii) no further losses being recognized in the Company's non-consolidated joint venture in Korea as the investment has been reduced to zero and the Company does not plan nor is required to inject capital in the future.

NET INCOME AND EARNINGS PER SHARE

Net income for 1998 was $88 compared with $271 in 1997 and $264 in 1996. Diluted earnings per share for 1998 was $.71 compared with $2.10 and $2.14 for 1997 and 1996, respectively. Net income from operations, excluding the provision for restructuring and other charges, gain on sale of assets, the 1996 foreign exchange gain of $42 referred to above and the cumulative effect of accounting changes, was $293, $294 and $238 in 1998, 1997 and 1996, respectively, while diluted earnings per share were $2.33, $2.26 and $1.94 in 1998, 1997 and 1996, respectively.

FINANCIAL POSITION

LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents totaled $284 at December 31, 1998 compared to $206 and $161 at December 31, 1997 and 1996, respectively. The Company's primary sources of cash in 1998 consisted of (i) funds provided from operations $672; (ii) the sale of assets and businesses $82; and (iii) the net change in short-term debt $877. The Company's primary uses of cash in 1998 consisted of (i) capital expenditures of $487; (ii) payments of long-term debt $443; (iii) repurchases of Company common and preferred stock $467; and (iv) dividends paid $143. The increase in funds provided from operations in 1998 versus 1997 is a result of lower increases in working capital and a 1998 refund of U.S. taxes paid in prior years.

The Company funds its working capital requirements on a short-term basis primarily through issuances of commercial paper. At December 31, 1998 the commercial paper program was supported by a $2,500 multicurrency credit agreement maturing in February 2002 with interest at market rates. The Company's use of the facility is not restricted. At December 31, 1998, $517 was drawn against this facility. Based on the Company's intention and ability to maintain its credit facility beyond 1999, $700 of commercial paper borrowings was classified as long-term at December 31, 1998. There was $2,074 and $1,248 in commercial paper outstanding at December 31, 1998 and 1997, respectively.

On November 26,1996, the Company filed with the Securities and Exchange Commission a shelf registration statement for the offer and sale of up to $1,300 aggregate principal amount of debt securities of the Company. This amount was combined with the remaining $200 from the December 1994 shelf registration, providing an aggregate $1,500 funding availability. On December 12,1996, the Company sold $1,200 of these public debt securities in five separate tranches, with maturities ranging from seven to 100 years. The issuers were the Company and two wholly-owned finance subsidiaries located in the United Kingdom and France, whose borrowings are fully guaranteed by the Company. The face value of the notes bear interest rates ranging from 6.75% to 7.38%. The offerings by the subsidiaries were simultaneously converted into fixed rate, 8.28% Sterling and 5.75% French Franc obligations through interest rate and currency swaps with various counterparties. Proceeds from the offering were used to repay acquisition indebtedness arising from the CMB acquisition. The Company's long-term debt securities are rated Baa2 by Moody's Investor Service and BBB by Standard and Poor's Corporation.

On March 2, 1998, the Company completed the repurchase of 4,093,826 shares of its common stock at $49.00 per share and 3,660,300 shares of its acquisition preferred at $46.00 per share from Compagnie Générale d'Industrie et de Participations (CGIP). The repurchased shares represented approximately 5.3% of the Company's then outstanding voting securities and left CGIP with 4.99% voting power in the Company. The repurchased shares included all of CGIP's acquisition preferred position which represented approximately 30% of the then outstanding shares of acquisition preferred. These repurchased preference shares have been retired. The transaction included an agreement to terminate the Shareholders Agreement dated February 22, 1996 between the Company and CGIP. Among other changes, CGIP no longer retains the right to designate Company directors. The transaction value of $369 was financed through an increase in short-term indebtedness.

The Company's ratio of total debt (net of cash and cash equivalents) to total capitalization was 62.3%, 56.1% and 56.4% at December 31, 1998, 1997 and 1996, respectively. Total capitalization is defined by the Company as total debt (net of cash and cash equivalents), minority interests and shareholders' equity. The increase in the Company's total debt in recent years is principally due to the repurchase of common and preferred stock from CGIP referred to above, the 1996 acquisition of CMB and the significant capital expenditure program which the Company has committed to in recent years. As of December 31, 1998, $135 of long-term debt matures within one year.

Management believes that, in addition to current financial resources (cash and cash equivalents and the Company's commercial paper program), adequate capital resources are available to satisfy the Company's ongoing investment programs. Such sources of capital would include, but not be limited to, bank borrowings. Management believes that the Company's cash flow is sufficient to maintain its current operations.

Management's Discussion and Analysis

MARKET RISK

In the normal course of business, the Company is exposed to fluctuations in currency values, interest rates, commodity prices and other market risks. The Company addresses these risks through a program that includes the use of financial instruments. The Company controls the credit risks associated with these financial instruments through credit approval, investment limits and centralized monitoring procedures and systems. The Company uses only liquid investments from creditworthy institutions and does not enter into leveraged, tiered or illiquid contracts. Further, the Company does not enter into financial instruments for trading purposes.

International operations, principally European, constitute a significant portion of the Company's consolidated revenues and identifiable assets. These operations result in a large volume of foreign currency commitment and transaction exposures and significant foreign currency net asset exposures. The Company manages its foreign currency transaction risk to minimize the volatility of cash flows caused by currency fluctuations by forecasting foreign currency denominated cash flows of each subsidiary and aggregating these cash inflows and outflows in each currency to determine the overall net transaction exposures. The Company does not generally hedge its exposure to translation gains and losses; however, by borrowing in local currencies, it reduces such exposure.

The information below summarizes the Company's market risks associated with debt obligations and other significant financial instruments outstanding as of December 31, 1998. Fair values included herein have been determined based on quoted market prices. Further information specific to Company financing is presented in Notes M and N to the Consolidated Financial Statements.

The table below provides information as of December 31, 1998 about the Company's forward currency exchange contracts. The majority of the contracts expire in 1999.

Buy/Sell	Contract Amount	Average Contractual Exchange Rate
FRF/GBP	$593	9.25
GBP/FRF	576	9.30
USD/GBP	532	1.67
DEM/GBP	213	2.73
USD/FRF	133	5.55
USD/CAD	130	1.54

The Company has an additional $503 in a number of smaller contracts to purchase or sell various other currencies, principally European, as of December 31, 1998.

The aggregate cost to settle all contracts, which is not material to any individual contract, was $4 at December 31, 1998. Total forward exchange contracts outstanding as of December 31, 1997 were $2,902.

The Company manages its interest rate risk in order to balance its exposure between fixed and variable rates while attempting to minimize its interest costs. Generally, the Company maintains variable interest rate debt at a level of 40% to 60% of total borrowings. The Company manages its interest rate risk by retiring and issuing debt from time to time and by executing interest rate swaps.

For debt obligations, the table below presents principal cash flows and related interest rates by year of maturity. Variable interest rates disclosed represent the weighted average rates at December 31, 1998. For interest rate swaps, the table presents notional amounts and related interest rates by year of maturity. For these swaps, the variable rates presented are the average forward rates for the term of each contract.

	Year of Maturity					
Debt	1999	2000	2001	2002	2003	Thereafter
Fixed rate	$124	$132	$39	$21	$617	$1,448
Average interest rate	7.2%	7.3%	7.9%	8.2%	6.9%	7.9%
Variable rate (1)	$2,342	$29	$102	$774	$21	$5
Average interest rate	5.3%	8.5%	5.3%	6.1%	8.8%	8.2%
Interest rate swaps:						
Fixed to variable			$74			
Average pay rate			4.0%			
Average receive rate			6.9%			

(1) $700 of commercial paper borrowings due in 1999 are classified as long-term, reflecting the Company's intent and ability to refinance these borrowings on a long-term basis through committed credit facilities.

At December 31, 1997, fixed rate debt of $2,365 was outstanding with an average interest rate of 7.6%, and variable rate debt of $2,721 with an average interest rate of 5.8% was outstanding. At December 31, 1997, fixed to variable interest rate swaps of $553 were outstanding with an average pay rate of 5.3% and an average receive rate of 6.9%.

The Company's use of financial instruments in managing market risk exposures described above is consistent with the prior year.

PROVISION FOR RESTRUCTURING

During 1998, the Company provided $179 ($127 after-tax or $.95 per share) for the costs associated with closing thirteen plants and reorganizing three additional plants. Included in the restructuring charge were costs to provide severance and related benefits, write-down of assets and other exit costs. The Company anticipates that this restructuring program will generate after-tax savings of approximately $64 ($.48 per share) on an annualized basis when fully implemented. The cost of providing severance and related benefits is estimated at $99, is a cash expense, and covers a reduction of approximately 2,900 employees, 1,900 of whom are involved in direct manufacturing operations. Cash requirements of this action will be funded from operations.

Management's Discussion and Analysis

The employees identified in the restructuring actions include personnel at each plant to be closed or reorganized. During 1998 approximately 2,200 employees, including 1,800 involved in direct manufacturing operations, have been terminated. Of those terminated, approximately 600 relate to the 1998 restructuring action. The 1998 restructuring action for employee reductions is expected to be completed by the end of the third quarter of 1999.

Included in the 1998 action is a charge of $60, reflecting the impairment of property, plant and equipment principally located in the Americas Division. The reserves for write-downs have been reflected in the balance sheet as reductions to the carrying values of the related assets. Write-downs of property, plant and equipment were made where their carrying values exceeded the Company's estimate of proceeds from abandonment or disposal. These estimates were principally determined on the basis of past experience for comparable asset disposals. Disposition of assets identified for disposal in the 1998 action, including certain machinery, land and buildings, is expected to be substantially completed by the end of 1999. Most of the revenue generating activities related to the assets held for disposal will continue as a result of more effective utilization of other assets. The carrying value of the land and buildings held for sale is approximately $22. Annual depreciation previously recognized for the affected assets was approximately $4.

Other non-recurring exit costs are estimated at $20 and are primarily a cash expense, comprising the costs to effectively close and dispose of the facilities identified in the 1998 plan. Exit costs include, but are not limited to, lease termination and other contract cancellations, dismantlement costs and brokers' fees for assets to be sold. These costs are expected to be substantially incurred by the end of 1999.

During 1997, the Company provided $67 ($43 after-tax or $.31 per share) for the costs associated with a plan to improve the structure of its PET plastic beverage container business in the United States by closing and reorganizing six manufacturing locations in its CONSTAR subsidiary along with other, non-PET, restructuring activities, primarily in Europe. This restructuring program covered approximately 600 employees.

During 1996, the Company provided restructuring costs relative to the acquisition of CarnaudMetalbox (CMB). Affected by the plan of restructuring were forty plants and regional administrative offices that were closed and an additional fifty-two plants which were reorganized. The Company accrued approximately $534 and allocated such costs to the purchase price of CMB in accordance with purchase accounting requirements. These costs comprised: severance and related benefits, write-down of assets, lease termination and other exit costs. The cost of providing severance and related benefits for the reduction of approximately 6,500 employees was $257 and was primarily a cash expense. The write-down of assets (principally property, plant and equipment) was approximately $217 and has been reflected as a reduction in the carrying value of the Company's assets. Other exit costs, primarily repayments of government grants and subsidies, were approximately $60 and were primarily cash expenses. The restructuring costs recorded in connection with the CMB acquisition included a $95 restructuring charge announced in 1996 by CarnaudMetalbox Asia, Ltd., a subsidiary of CMB. Remaining balances in the restructuring reserve primarily relate to payment options available to employees under termination agreements. Such agreements are made with the respective union or with the local governmental body, whereby a portion of the employee severance is paid when the employee is terminated and the remaining portion is paid out over an agreed period.

In 1996, the Company also provided $40 ($32 after-tax or $.24 per share) for the costs associated with exiting certain lines of business in its South African operations, the closure of a South American operation and costs associated with restructuring existing businesses in Europe.

PROVISION FOR LITIGATION

The Company is one of a number of defendants in a substantial number of lawsuits filed by persons alleging bodily injury as a result of exposure to asbestos. This litigation arose from the insulation operations in the United States of a company in which the Company acquired a majority interest in 1963. That company sold this insulation business less than three months later.

Prior to 1998, the amounts paid to asbestos litigation claimants were covered by a fund of $80 made available to the Company under a 1985 settlement with carriers insuring the Company through 1976, when the Company became self-insured. From 1985 through 1997, the Company disposed of approximately 70,000 cases for amounts which aggregated approximately one-half of the original fund.

Until the fourth quarter of 1998 the Company considered that the fund was adequate and that the likelihood of exposure for this litigation in excess of the amount of the fund was remote. This view was based on the Company's analysis of its potential exposure, the balance available under the 1985 settlement, historical trends and actual settlement ranges.

A change in Texas law which limits out-of-state plaintiff filings in that state and which will therefore be favorable in the long-term, caused, along with other factors, an unexpected increase in claims activity. This, along with several larger group settlements, caused the Company to reevaluate its position.

As a consequence, the Company has provided a charge of $78 after taxes ($ .59 per share) to supplement the remaining fund and cover estimated liability claims pending or to be filed through 2003.

Management's Discussion and Analysis

At December 31, 1998, approximately 65,000 asbestos personal injury cases were pending against the Company of which approximately 27,000 cases were filed in 1998. These figures, and the charge noted above, do not include 25,000 pending cases involving plaintiffs who allege that they are, or were, maritime workers subject to exposure to asbestos, but whose claims the Company believes, based upon counsel's advice, will not, in the aggregate, involve any material liability.

The liability recorded for asbestos claims constitutes management's best estimate of such costs for pending and future claims. Because of the uncertainties related to this kind of litigation, the Company believes it is not possible to estimate the number of personal injury claims that may be filed after 2003. The Company believes, however, that the number of claims against it will slow significantly in the future as time elapses since 1963. The Company cautions, however, that inherent in its estimate of liabilities are expected trends in claim severity, frequency and other factors which may vary as claims are filed and settled or otherwise disposed of. Accordingly, these matters, if resolved in a manner different from the estimate, could have a material effect on the operating results or cash flows in future periods. While it is not possible to predict with certainty the ultimate outcome of these lawsuits and contingencies, the Company believes, after consultation with counsel, that resolution of these matters is not expected to have a material adverse effect on the Company's financial position or liquidity.

CAPITAL EXPENDITURES

Consolidated capital expenditures totaled $487 in 1998 as compared with $515 in 1997. Minority partner contributions to consolidated capital expenditures were approximately $6 and $26 in 1998 and 1997, respectively. During the past five years, capital expenditures totaled $2,507.

Expenditures in the Americas Division totaled $161 including the completion of the construction of a beverage can plant in Colombia, the conversion of beverage can lines in Canada and Argentina to the 202 diameter from the 206 diameter and several single-serve PET preform and bottle capacity expansion and lightweighting projects in the U.S.

Spending in the European Division for 1998 totaled $300 as the Company continued to invest in easy open food can end lines as well as converting several beverage can and end lines to the 202 diameter from the 206 diameter. Investments were also made in connection with ongoing restructuring programs, line speed programs and in several new health and beauty care projects.

Investments of $7 were made in the Asia-Pacific Division in 1998. The Company invested in several modernization and productivity improvement programs.

The Company expects its capital expenditures in 1999 to approximate $300 including joint-venture partner contributions estimated at approximately $5. The Company plans to continue capital expenditure programs designed to take advantage of technological developments which enhance productivity and contain costs, as well as those that provide growth opportunities. Capital expenditures, exclusive of potential acquisitions, during the five-year period 1999 through 2003 are expected to approximate $1,600, including $50 being contributed from joint-venture partners. Cash flow from operating activities will provide support for these expenditures; however, depending upon the Company's evaluation of growth opportunities and other existing market conditions, external financing may be required from time to time.

ENVIRONMENTAL MATTERS

The Company has adopted a Corporate Environmental Protection Policy. The implementation of this Policy is a primary management objective and the responsibility of each employee of the Company. The Company is committed to the protection of human health and the environment and is operating within the increasingly complex laws and regulations of national, state, and local environmental agencies or is taking action aimed at assuring compliance with such laws and regulations. Environmental considerations are among the criteria by which the Company evaluates projects, products, processes and purchases, and, accordingly, does not expect compliance with these laws and regulations to have a material effect on the Company's competitive position, financial condition, results of operations or capital expenditures.

The Company is dedicated to a long-term environmental protection program and has initiated and implemented many pollution prevention programs with the emphasis on source reduction. The Company continues to reduce the amount of metal and plastic used in the manufacture of steel, aluminum and plastic containers through "lightweighting" programs. The Company not only recycles nearly 100% of scrap aluminum, steel, plastic and copper used in its manufacturing processes, but through its Nationwide Recyclers subsidiary, is directly involved in post-consumer aluminum, steel and plastics recycling. Many of the Company's programs for pollution prevention reduce operating costs and improve operating efficiencies.

The Company has been identified by the EPA as a potentially responsible party (along with others, in most cases) at a number of sites. Estimated remedial expenses for active projects are recognized in accordance with generally accepted accounting principles governing probability and the ability to reasonably estimate future costs. Actual expenditures for remediation were $4 in both 1998 and 1997. The Company's balance sheet reflects estimated gross remediation liabilities of $18 and $39 at December 31, 1998 and 1997, respectively, and estimated recoveries related to indemnification from the sellers of acquired companies and the Company's insurance carriers of $21 and $19 at December 31, 1998 and 1997, respectively.

Management's Discussion and Analysis

Environmental exposures are difficult to assess for numerous reasons, including the identification of new sites, advances in technology, changes in environmental laws and regulations and their application, the scarcity of reliable data pertaining to identified sites, the difficulty in assessing the involvement of and the financial capability of other potentially responsible parties and the time periods (sometimes lengthy) over which site remediation occurs. It is possible that some of these matters (the outcome of which are subject to various uncertainties) may be decided unfavorably against the Company. It is, however, the opinion of Company management, after consulting with counsel, that any unfavorable decision will not have a material adverse effect on the Company's financial position, cash flows or results of operations.

COMMON STOCK AND OTHER SHAREHOLDERS' EQUITY

Shareholders' equity was $2,975 at December 31, 1998 as compared with $3,529 at December 31, 1997. The decrease in 1998 equity is due to the repurchase of 6,528,783 common shares and 4,055,300 preferred shares, an $87 minimum pension liability adjustment as more fully described in Note S to the Consolidated Financial Statements, adjustments for currency translation in non-U.S. subsidiaries of $31 and dividends declared on common stock of $125 offset by $88 of earnings in the business and the issuance of 467,600 common shares, including 195,600 shares for various employee benefit plans and 272,000 shares to five company executive officers. The officers, four of whom are Directors of the Company, borrowed money from the Company and used the funds to purchase the shares directly from the Company. The book value of each share of common stock at December 31, 1998 was $22.89 as compared to $25.26 at December 31, 1997.

In 1998, the return on average shareholders' equity before restructuring and other charges and the 1997 cumulative effect of accounting change was 9.2% as compared to 9.7% in 1997. Including the restructuring and other charges, but excluding the 1997 cumulative effect of accounting change, the return on average shareholders' equity was 3.2% in 1998 compared to 8.5% in 1997.

The Company announced a new share repurchase program in 1998 . This program allows for the repurchase of up to ten million shares of outstanding common and preferred stock, representing approximately 7.5% of then current combined shares outstanding. Purchases may be made from time to time in open market transactions at prevailing prices or in negotiated private transactions at management's discretion.

The Board of Directors has also approved resolutions authorizing the Company to repurchase shares of its common stock to meet the requirements for the Company's various stock purchase and savings plans. The Company acquired 6,528,783 shares and 342,414 shares of common stock in 1998 and 1997 for $286 and $17, respectively. There were no stock repurchases during 1996. The Company also acquired 4,055,300 shares of acquisition preferred for $181 during 1998.

The Company declared cash dividends totaling $125 and $128 in 1998 and 1997, respectively, representing a quarterly dividend of $.25 per common share.

During 1998 and 1997, 10,631 and 8,105 shares, respectively, of common stock were issued under the Dividend Reinvestment and Stock Purchase Plan.

At December 31, 1998, common shareholders of record numbered 5,644 compared with 5,763 at the end of 1997. Total common shares outstanding were 122,337,398 at December 31, 1998 compared to 128,398,543 at December 31, 1997. Total acquisition preferred shares outstanding were 8,376,451 at December 31, 1998 compared to 12,431,793 at December 31, 1997.

The Board of Directors adopted a Shareholder Rights Plan in 1995 and declared a dividend of one right for each outstanding share of common stock. Such rights only become exercisable, or transferable apart from the common stock, after a person or group acquires beneficial ownership of, or commences a tender or exchange offer for, 15% or more of the Company's common stock. Each right then may be exercised to acquire one share of common stock at an exercise price of $200, subject to adjustment. Alternatively, under certain circumstances involving the acquisition by a person or group of 15% or more of the Company's common stock, each right will entitle its holder to purchase a number of shares of the Company's common stock having a market value of two times the exercise price of the right. In the event the Company is acquired in a merger or other business combination transaction after a person or group has acquired 15% or more of the Company's common stock, each right will entitle its holder to purchase a number of the acquiring company's common shares having a market value of two times the exercise price of the right. The rights may be redeemed by the Company at $.01 per right at any time until the tenth day following public announcement that a 15% position has been acquired. The rights will expire on August 10, 2005.

INFLATION

Inflation has not had a significant impact on the Company over the past three years due to strong cash flow from operations. The Company continues to maximize cash flow through programs designed for cost containment, productivity improvements and capital spending. Management does not expect inflation to have a significant impact on the results of operations or financial condition in the foreseeable future.

FUTURE ACCOUNTING CHANGES

In June 1998, the Financial Accounting Standards Board ("FASB") issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." This accounting

Management's Discussion and Analysis

standard is effective for all fiscal quarters of all fiscal years beginning after June 15, 1999. This statement establishes accounting and reporting standards for derivative instruments and for hedging activities. The statement requires that all derivatives are recognized as either assets or liabilities in the statement of financial position and are measured at their fair values. The Company is currently evaluating the requirements of this standard to determine its impact on the consolidated financial statements.

YEAR 2000

Computers and computer dependent equipment are used throughout the Company's operations. Certain computerized systems in use today were designed using two digits rather than four digits to define the applicable year, which could result in the systems recognizing a date containing "00" as the year 1900 rather than the year 2000. This could lead to miscalculations or system failures and is generally referred to as the "Year 2000" or "Y2K" issue.

In order to address the Y2K issue, the Company established a steering committee that reports to senior executive management and the Board of Directors of the Company. The steering committee is responsible for the formulation of the Company's Y2K global plan and oversight of strategy, risk assessment, coordination and reporting. Project offices have also been established within each division to roll out, monitor and manage implementation of the Company's global plan.

The Company's global plan is divided into several major phases: Inventory and Assessment, Remediation Analysis, Implementation and Contingency Planning.

Inventory and Assessment – The inventory phase was substantially completed in June 1998 including the identification of internal mission-critical business systems and vendor and other third party relationships. The Company substantially completed its internal risk assessment of potentially Y2K impacted information technology (IT) and non-IT equipment and facilities during October 1998. In that regard, the Company has identified Y2K issues with various mid-range IT systems, personal computers and servers, telephone systems and embedded systems in manufacturing and related equipment. The assessment of the Company's third-party risks involves the identification of critical vendors, Y2K confirmation correspondence, evaluations and selected vendor reviews. The Company has completed the identification of its vendor relationships and has received approximately 60% of its requested Y2K confirmation letters. Certain top-critical vendors are being subjected to follow-up including interviews, on-site visits and other available means. In addition, the Company has an inadequate Y2K survey response from utility suppliers and is in the process of evaluating its risk profile with respect to utility service. Accordingly, the Company has initiated alternate follow-up procedures and strategies to support its risk evaluation and contingency planning efforts. These assessments and reviews are expected to be ongoing through June 1999. Despite these efforts, the Company can provide no assurance that critical suppliers of important goods and services (including but not limited to utility service and communications) will complete their Year 2000 compliance plans in a timely manner.

Remediation Analysis – The Company substantially completed this project phase in February 1999. During this stage of the project, remediation strategies were evaluated and planned to correct identified Y2K non-compliance. Correction strategies include vendor-supported upgrades, system or asset replacements, and correction of non-compliant code and systems consolidation.

Implementation – This phase involves the correction and testing of identified internal Y2K risks in accordance with the remediation analysis phase. The Company's implementation plan established priorities for remediation or replacement. The business systems considered most critical to ongoing operations have been given the highest priority. Such mission-critical systems include business and operating systems such as sales order billing, production planning, procurement and disbursements, logistics and embedded systems in manufacturing and related equipment that, if shut down or interrupted, could have a material adverse impact on the Company. All other systems include business support systems such as personal computer technology, internal data transmission and voice communication that, if shut down or interrupted, may have a less material impact on the Company's operations.

Mission Critical IT Systems – Approximately 90% of the Company's locations that contain mission-critical IT systems require some form of correction. As of December 31, 1998, approximately 30% of mission-critical business systems have been remediated, 50% are currently being remediated and remediation of the remaining 20% is to be initiated as soon as possible. The Company anticipates that approximately 75% of identified non-compliant locations will be remediated by June 30, 1999. Accordingly, we expect Y2K capable mission-critical systems to cover approximately 80% of the Company's operation revenues by that date. The Company anticipates that the remaining mission-critical implementations will be completed during the third quarter 1999. Certain of these projects have been delayed awaiting the release of compliant software upgrades or have modestly extended project timelines to maximize the use of internal resources.

The Company's mission-critical system testing methods include obtaining hardware and software certifications from critical vendors and consultants and performing Y2K compliance tests including data exchange with critical vendors and customers. Testing of critical systems is expected to be completed on an ongoing basis during the second half of the year.

Management's Discussion and Analysis

Embedded Systems – During 1998, the Company performed a comprehensive evaluation of embedded systems within its manufacturing and facilities infrastructure. This evaluation covered approximately 27,000 inventoried systems and over 1,000 machinery and systems manufacturers. Assessment results indicate a very low non-compliant rate. Accordingly, while the Company cannot rule out some potential impact, overall risk in this area is believed to be low. Unit replacements or reprogramming will occur as part of the Company's normal maintenance program in 1999. Such costs are not expected to be significant. The Company anticipates completing detailed testing of certain manufacturing processes during April 1999 to validate its current risk assessment.

Personal Computer Technology – The Company is currently implementing replacement or correction methods to address Y2K non-compliance in both hardware and software. Modest portions of these corrections pertain to mission-critical systems, which should be completed by June 1999. The Company considers its overall risk in this area to be low.

Telephone Exchange Systems – The Company has substantially completed its assessment of telephone exchange systems within its facilities. Approximately 20% of these systems will be remediated during 1999. Notwithstanding these efforts, the Company believes that certain countries in which it operates may be subject to broader regional communication system failures. Accordingly, extended assessment of this risk is in process to both evaluate the reliability of the initial assessment and identify contingency options including the possible utilization of satellite phone technology.

Contingency Planning – The Company is developing contingency plans to address potential disruptions that may result from unresolved Y2K issues. Because Y2K is a date-driven risk, the Company is actively identifying practicable prevention plans for its core operations to mitigate risks, especially in January 2000. Prevention plans may include temporary deactivation of certain systems and equipment just prior to January 1, 2000, targeted supply-chain management measures to assure supply of certain key commodities as well as customer supply initiatives. For instance, facility and manufacturing supplies may be procured in 1999 to support production requirements in early 2000. Additionally, in order to address any isolated or wide spread disruptions, the Company is considering help-desk and manufacturing support options as part of its planning scenarios.

Risks of a less controllable nature, such as utility service outages and communication systems failure, are being addressed in contingency planning. Alternate site-manufacturing scenarios, alternative vendors and other scenarios are under current consideration. The Company intends to complete most of its prevention and contingency plan development and design by June 1999. The rollout of the contingency planning will be initiated in the second quarter of 1999. The Company is also considering potential seasonality effects of Year 2000 on consumer demand and operating and working capital, particularly in the fourth quarter of 1999 and first quarter of Year 2000.

The Company's Y2K global plan could be adversely affected if any of the Company's factors or assumptions are incorrect or if its ongoing review discovers unanticipated problems. The Company cannot give assurance that its global plan will be completed on schedule or that it will not uncover Y2K issues that could create a material impact on its performance.

The Company believes that the most reasonably likely worst-case scenario for the Company with respect to the Y2K problem is the failure of a critical vendor, such as a utility supplier, to provide required goods or services after December 31, 1999. Such a failure could result in temporary production outages and lost sales and profits. The Company believes that, because of the high degree of geographic dispersion of its operations (approximately 223 plants in 49 countries), it is unlikely an isolated third-party failure would have a material adverse effect on the Company's results of operations, financial condition or cash flow. The Company also believes that the formulation of contingency plans should reduce the severity and length of any such possible disruptions and losses. Nevertheless, because the Company's Y2K compliance is dependent upon key third party Y2K readiness, there can be no assurance that the Company's Y2K compliance efforts will prevent a Y2K problem outside its direct control from adversely affecting the results of its operations, financial condition or cash flow. In addition, although not anticipated, any failure by the Company to correct critical internal computer systems before Year 2000 could have such an adverse affect.

The Company estimates that it will spend approximately $25-$30 (pre-tax) for its Y2K compliance efforts. To date, the Company has spent approximately $9, of which $4 has been expensed. The Company anticipates that funding for its Y2K compliance program will be from operating cash flows. These cost estimates do not include labor costs of employees allocated to the Y2K compliance effort, as it is not practicable to accumulate such costs. The Company's total Y2K project cost estimate is based on presently available information and does not necessarily include all potential costs related to ongoing assessment and remediation or any execution of contingency plans brought about by internal or external Y2K issues or cost estimate changes related to replacement systems or code remediation efforts. Actual results could differ from these estimates.

EURO CONVERSION

On January 1, 1999, eleven of the fifteen member nations ("the participating countries") of the European Union ("EU") established fixed conversion rates between their existing sovereign currencies (the "legacy currencies")

Management's Discussion and Analysis

and the Euro. For a period of three years, the transition period, both the Euro and the individual participants' currencies will remain in circulation. Parties may pay for goods and services using either the Euro or the participating country's sovereign currency. Conversion rates will be computed through a "triangulation" process which will convert one sovereign currency into an amount denominated in the Euro and then convert the Euro-denominated amount into the second legacy currency. After January 1, 2002, the Euro will be the sole legal tender for these countries. During the transition period, the adoption of the Euro will affect a multitude of financial systems and business applications as the commerce of these nations will be transacted in the Euro and the legacy currencies. For the twelve months ended December 31, 1998, approximately 26% of the Company's revenues were derived from EU participating countries.

The participating countries will issue sovereign debt exclusively in Euro and will redenominate outstanding sovereign debt. As of January 1, 1999, the participating countries will no longer control their own monetary policies by directing independent interest rates for the legacy currencies. Instead, the authority to direct monetary policy, including money supply and official interest rates for the Euro, will be exercised by the new European Central Bank.

The EU has adopted regulations providing that the Euro conversion should not enable one party unilaterally to break or change its contractual obligations, unless the parties have otherwise agreed.

The largest non-participating country is the United Kingdom which provides approximately 13% of the Company's revenues and is a major trading partner with the participating countries. Due to the current strength of sterling, considerable attention is being given to its impact on trading activities with participating countries and its impact on internal manufacturing operations.

The Company is currently addressing Euro-related issues and their impact on information systems, currency exchange rate risk, employment and benefits, taxation, contracts, competition and pricing. Under an action plan developed by the Company, teams have been formed to address selling prices and costs, personnel and communications, finance, administration and information technology ("IT").

The Company has incurred and expects to incur expenses for Euro-compliant technology and operations staff to implement its Euro conversion plan. These costs will be incurred through 2003 to cover the costs of preparing for and making operational changes to accommodate the introduction of the Euro. The costs for this conversion involve updated technology and have been included in estimates provided for the Year 2000.

Approximately 5% of the outstanding foreign exchange contracts, representing approximately 5% of contract notional value, are between participating countries. Conversion to the Euro may reduce the amount of the Company's exposure to exchange rate risk, due to the netting effect of having assets and liabilities denominated in a single currency as opposed to the various legacy currencies. As a result, the Company's foreign exchange hedging costs could be reduced. Conversely, because there will be less diversity in the Company's exposure to foreign currencies, movements in the Euro's value against the U.S. dollar could have a more pronounced effect, whether positive or negative. Decisions on the functional currencies for the European units is being closely evaluated so as to minimize the impact on the Company's financial position.

As part of the conversion process, the Company is establishing contingency plans. The contingency plans will provide mechanisms to assess and communicate the impact of any delays. These plans also address likely problems in the aftermath of conversion with a view to maximizing the Company's ability to avoid disruption.

The company does not expect the Euro conversion, including the costs of implementation, to have a material adverse effect upon the Company's results of operations, financial condition or cash flow. However, the Company cannot guarantee that, with respect to the Euro conversion, all problems, including long-term competitive implications of the conversion, will be foreseen and corrected, that no material disruption of the Company's business will occur, or that there will be no delays in the dates targeted by the Company for the Euro conversion process.

FORWARD LOOKING STATEMENTS

Statements included herein in "Management's Discussion and Analysis of Financial Condition and Results of Operations," including, but not limited to, in the "Year 2000" and "Euro conversion" sections, and in the discussions of the restructuring plans and provision for litigation in Notes L and K to the Consolidated Financial Statements included in this Annual Report, which are not historical facts (including any statements concerning plans and objectives of management for future operations or economic performance, or assumptions related thereto), are "forward-looking statements," within the meaning of the federal securities laws. In addition, the Company and its representatives may from time to time make other oral or written statements which are also "forward-looking statements." "Forward-looking statements can be identified by words, such as "believes", "estimates", "anticipates", "expects" and other words of similar meaning in connection with a discussion of future operating or financial performance. These may include, among others, statements relating to: (i) the impact of an economic downturn or growth in particular regions, (ii) anticipated uses of cash, (iii) cost reduction efforts and expected saving, (iv) the expected outcome of contingencies, (v) the impact of the Year 2000 conversion efforts and (vi) the transition to the use of the Euro.

Management's Discussion and Analysis

These forward-looking statements are made based upon management's expectations and beliefs concerning future events impacting the Company and therefore involve a number of risks and uncertainties. Management cautions that forward-looking statements are not guarantees and that actual results could differ materially from those expressed or implied in the forward-looking statements.

Important factors that could cause the actual results of operations or financial condition of the Company to differ include, but are not necessarily limited to, the Company's ability to continue integration of CMB's operations into its existing operations and to realize synergistic benefits from the CMB acquisition (including effective raw material procurement, elimination of redundant selling, general and administrative functions, and global product offerings) and the consolidation and restructuring of the combined operations and the ability to realize cost savings from its restructuring programs; changes in the availability and pricing of raw materials (including aluminum can sheet, steel tinplate, plastic resin, inks and coatings) and the Company's ability to pass raw material price increases through to its customers or to otherwise manage these commodity pricing risks; the Company's ability to generate significant free cash to invest in its business and to maintain appropriate debt levels; the Company's ability to realize efficient capacity utilization and inventory levels and to innovate new designs and technologies for its products in a cost-effective manner; changes in consumer preferences for different packaging products; competitive pressures, including new product developments or changes in competitors' pricing for products; changes in governmental regulations or enforcement practices, especially with respect to environmental, health and safety matters and restrictions as to foreign investment or operation, weather conditions including its effect on demand for beverages and on crop yields for fruits and vegetables stored in food containers; changes or differences in U.S. or international economic or political conditions, such as, inflation or fluctuations in interest or foreign exchange rates and tax rates; the costs and other effects of legal and administrative cases and proceedings, settlements and investigations; the effects of the Year 2000 and Euro conversion issues, and labor relations and workforce and social costs. Some of the factors noted above are discussed elsewhere in this Annual Report and prior Company filings with the Securities and Exchange Commission (the "SEC"). In addition, other factors have been or may be discussed from time to time in the Company's SEC filings.

While the Company periodically reassesses material trends and uncertainties affecting the Company's results of operations and financial condition in connection with the preparation of Management's Discussion and Analysis of Financial Condition and Results of Operations and certain other sections contained in the Company's quarterly, annual or other reports filed with the SEC, the Company does not intend to review or revise any particular forward-looking statement in light of future events.

Product Information

Products	Characteristics	Applications
METAL PACKAGING		
Food Cans	Steel and aluminum; 3-piece welded, cemented; 2-piece drawn and redrawn, drawn and ironed; beaded, straight wall, or shaped; plain, lacquered or lithographed.	Vegetables, fruit, meat, fish, pet food, soups, processed foods, ready-made meals, infant formula.
Beverage Cans	Aluminum and steel; 2-piece drawn and ironed; shaped; multi-color wet-on-wet printing.	Carbonated soft drinks, beer, juices, tea, water.
Aerosol Cans	Steel; 2- and 3-piece welded, 3-piece necked-in, bi-can™ and piston can; lithographed or plain.	Personal care, household, automotive and industrial products, food.
Speciality Packaging	Steel; highly decorated containers with various shapes and opening systems for consumer, industrial and promotional packaging; emboss, deep-emboss, multi-color printing, shaping by blow-forming.	Confectionery, biscuits, jams, food, wines and spirits, beverage, personal care, tobacco, shoe polish, industrial and household products.
Metal Ends	Steel and aluminum; classic and easy-open ends to suit all can sizes; printed or unprinted; colored tabs and ends.	Food and beverage.
Metal Closures/Crowns	Steel and aluminum; suitable for hot-fill, cold-fill, mechanical vacuum, retort or pasteurization; lithography, offset printing.	Food, beer and beverage.
PLASTIC PACKAGING		
PET Bottles, Jars and Preforms	Standard and customized, including heat set and wide-mouth containers; injection stretch blow molding, injection and extrusion blow molding.	Beverage, food, household and other products.
Plastic Closures	Injection-molded plastic closures and systems to fit glass, plastic or metal containers; dispensing, tamper evident, child resistant, lined/unlined closures and droppers.	Carbonated soft drinks, water, wines and spirits, beverages, food, personal care, household and industrial products.
Personal Care Bottles	Mono- and multi-layer decorated plastic bottles available in a variety of resins, including clear polypropylene, soft-touch and lightweight foldable bottles.	Personal care and pharmaceutical.
Beauty Care	Cases for lipsticks, mascaras and compacts, fragrance pumps, caps and collars.	Cosmetics and fragrances.
Pharmaceutical Packaging	Eye-droppers, pill dispensers, syrup bottles, nasal sprays, syringes, metal caps, inhalers, tubes and other devices.	Medical and pharmaceutical.
COMPOSITE PACKAGING	Spiral wound; dry bonded or skived can bodies; spiral & convolute labels; plastic and metal closures.	Food, drink mixes and frozen concentrate, refrigerated dough, household and automotive products.
ENGINEERING & SPARES	Machinery and spares for can manufacturing, including bodymakers, trimmers, spin-neckers and pre-neckers, beaders, liners, spinflangers, seamers and tooling.	Metal can manufacturing.

This product page covers the Company's principal product categories but does not include all products manufactured.

Investor Information

Company Profile

Crown Cork & Seal is the leading manufacturer of packaging products for consumer marketing companies around the world. We make a wide range of metal cans and plastic containers for food, beverage, personal care, household and industrial products; packaging for health and beauty care applications; dispensing systems and closures; plastic and metal closures; composite containers; and canmaking equipment. As of December 31, 1998, the Company operated 223 plants located in 49 countries, employing 38,459 people.

STOCK TRADING INFORMATION	CCK Listed NYSE
Stock Symbol: **CCK** (Common), **CCK.Pfd** (Preferred) Stock Exchange Listings: **New York Stock Exchange and Paris Bourse**	

Corporate Headquarters

One Crown Way
Philadelphia, PA 19154-4599
Main phone: (215) 698-5100

Shareholder Services

Registered shareholders needing information about stock holdings, transfer requirements, registration changes, account consolidations, dividends, lost certificates or address changes should contact the Company's stock transfer, dividend-paying agent and registrar:

Mailing Address:
First Chicago Trust Company of New York,
a division of EquiServe
Shareholder Services Group
P.O. Box 2500
Jersey City, NJ 07303-2500

Telephone Response Center:
1-800-317-4445
Outside U.S. & Canada
(201) 240-8800

Private Courier Delivery Address:
First Chicago Trust Company of New York
14 Wall Street
Mail Suite 4680 - 8th Floor
New York, NY 10005
(212) 240-8800

Internet website: http://www.equiserve.com
E-Mail address: FCTC@em.fcnbd.com
Telecommunications Device for the Hearing Impaired (TDD) : (201) 222-4955

Owners of shares held in street name (shares held by any bank or broker in the name of the bank or brokerage house) should direct communications or administrative matters to their bank or stockbroker.

Independent Accountants

PricewaterhouseCoopers LLP
Philadelphia, PA

French Financial Agent

Société Générale
Tour Société Générale
17 Cours Valmy
92987 Paris La Défense Cedex - France
Main Phone : (33) 1 42 13 78 29.

Dividends

Quarterly dividends on the Company's Common Stock, when and if declared, are customarily paid in February, May, August and November. Dividends on the Company's 4.5% Convertible Preferred Stock are payable quarterly in arrears in February, May, August and November.

Dividend Reinvestment and Stock Purchase Plan

The Plan is available to all registered holders of the Company's Common Stock as well as those beneficial owners who have either become shareholders of record by having shares transferred into their name or by making arrangements with their broker or other nominees to participate on their behalf. Details of the Plan are contained in a Prospectus which is available upon request from First Chicago Trust Company of New York, the Plan Administrator.

Forms 10-K and 10-Q

The Company will provide without charge to its shareholders a copy of its 1998 Annual Report on Form 10-K, excluding exhibits, as filed with the Securities and Exchange Commission. In lieu of quarterly reports, we will mail a copy of the Company's Quarterly Report on Form 10-Q to shareholders upon request. Requests should be addressed to the Corporate Treasurer - Office of Corporate Communications.

Internet

Visit our Web site on the Internet at http://www.crowncork.com for more information about the Company, including news releases.

INCORPORATED—COMMONWEALTH OF PENNSYLVANIA

This report is printed on recycled paper.

Crown Cork & Seal Company, Inc.
Corporate Headquarters
One Crown Way
Philadelphia, PA 19154-4599