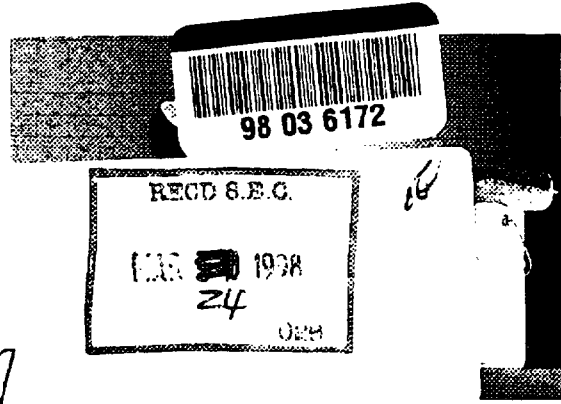
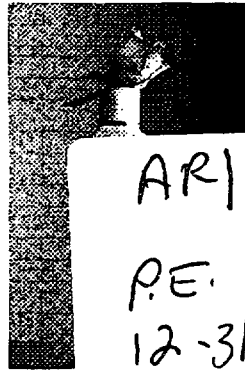


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ANNUAL REPORT

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DISCLOSURE INC

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CROWN CORK & SEAL CO INC

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
Executive Vice President
and President - Americas Division

Francis X. Dalton
Treasurer (Retired)

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)
President and Chief Operating Officer

Jean-Pierre Rosso (c, d)
Chairman, President and CEO of
Case Corporation; Director of Inland
Steel Industries, Ryerson Tull, Inc. and
ADC Telecommunications

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;
Director of Freedom Chemical
and Provident Mutual Life

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

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
President and Chief Operating Officer

John W. Conway
Executive Vice President
and President - Americas Division

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

Alan W. Rutherford
Executive Vice President
and Chief Financial Officer

Ian B. Carmichael
Executive Vice President -
Corporate Technologies

Mark W. Hartman
Executive Vice President -
Office of the Chairman

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

Ronald R. Thoma
Executive Vice President -
Procurement & Traffic

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

Daniel A. Abramowicz
Senior Vice President-
Corporate Technologies

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

William J. Brayer
Vice-President - Subsidiaries

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

Michael J. Harding
Vice President - Finance,
Transition Team

Edward J. Hatter
Vice President - Traffic &
Transportation

Keith E. Lucas
Vice President - Global Customer
Business

E. C. Norris Roberts
Vice President -
Corporate Administration

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

Edward C. Vesey
Vice President - Purchasing

Peter J. Julian
Chief Information Officer

Michael J. Rowley
Assistant Corporate Secretary
and Senior Attorney

DIVISION OFFICERS

AMERICAS DIVISION

John W. Conway

Executive Vice President and President - Americas Division

Frank J. Mechura
Senior Vice President
and President - CONSTAR

Robert J. Truitt
Senior Vice President - Manufacturing

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

Arthur J. Hocevar
Vice President - Business
Development, Latin America

Michael J. Hoffman
Vice President - Manufacturing
CONSTAR

William R. Keith
Vice President - Sales,
Southern Division

Robert W. Kelly
Vice President -
North America Manufacturing

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 - Manufacturing
General Line, Crowns & 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. Szymt
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

Francis Labbé
Executive Vice President -
Speciality Packaging & Aerosols

Marc Szulewicz
Executive Vice President -
Plastics

Alan Clark
Senior Vice President -
Sourcing

Marco Giovannini
Senior Vice President -
South-East and Closures Europe

Michel Mousselon
Senior Vice President and
Chief Financial Officer

Peter Calder
Vice President -
Human Resources & Communications

Peter Collier
Vice President - Treasury

Brian Curtis
Vice President - Sales and Commercial,
North-West Europe

Patrick Driebeek
Vice President and
General Counsel

Jean-Michel Etienne
Vice President - Controller

Patrice Franquen
Vice President - Eastern Europe

Antonio Giovannelli
Vice President - Food Italy & Greece

Chris Harrison
Vice President - Plastic Closures

Jacques Jamart
Vice President - Iberia,
Fish & Francophone Africa
and Morocco

Ashok Kapoor
Vice President -
Eastern Mediterranean
and Middle East

Phillipe Lejeune
Vice President - Plastic Bottles

Gérard Meulman
Vice President - Closures Europe

George Nicol
Vice President - UK, Ireland,
Spain & Scandinavia

David Pollen
Vice President - Anglophone Africa

David Powell
Vice President - CONSTAR Europe

Alan Smith
Vice President - Operations,
North-West Europe and
Manufacturing Engineering
and Quality - Food

Yves Stordeur
Vice President -
Manufacturing & Quality - Plastics

Jan Suur
Vice President -
Western and Eastern Europe

CORPORATE TECHNOLOGIES

Ian B. Carmichael

Executive Vice President - Corporate Technologies

Daniel A. Abramowicz
Senior 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

Terrence A. Turner
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 23, 1998 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 13, 1998, and only holders of record on said date will be entitled to vote. Management of the Company requests the Shareholders of Common and Preferred Stock to sign proxies and return them in advance of the Meeting.

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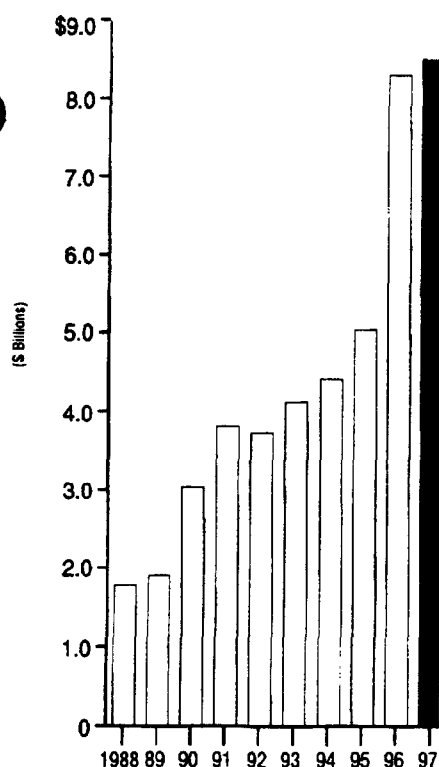
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Financial Highlights

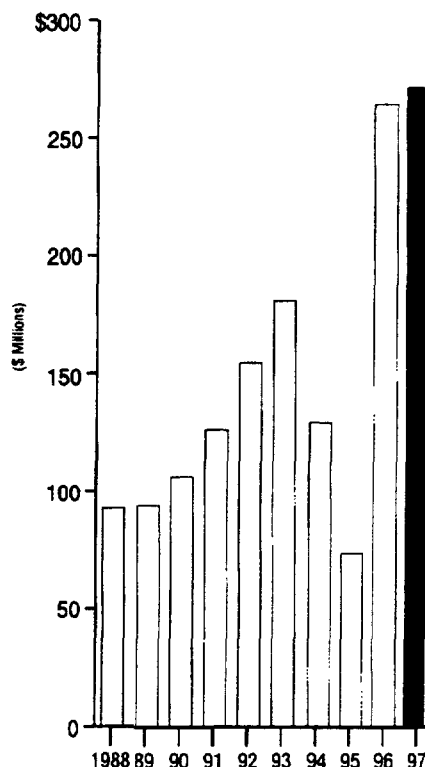
(in millions, except per share, employee, shareholder and statistical data)

	1997	1996	% Change
Net sales	\$ 8,494.6	\$ 8,331.9	2.0
Net income* (1)	278.2	264.2	5.3
Per common share			
Earnings - diluted (1)*	\$ 2.15	2.14	0.5
Cash dividends	1.00	1.00	
Book value (2)	25.26	25.50	(0.9)
Market price (closing)	50.125	54.375	(7.8)
Total assets	\$ 12,305.7	\$ 12,590.2	(2.3)
Capital expenditures	514.8	631.2	(18.4)
Depreciation and amortization	540.0	495.9	8.9
Cash flow from operations	402.1	911.2	(55.9)
Return on average shareholders' equity (1) (3)*	8.5%	11.3%	(24.8)
Total debt to total capitalization	56.1%	56.4%	(.5)
Number of employees	40,985	44,611	(8.1)
Number of common shareholders (on record)	5,763	5,736	.5
Average common shares outstanding - diluted	140,274,708	132,408,169	5.9
Preferred stock outstanding	12,431,793	12,432,622	

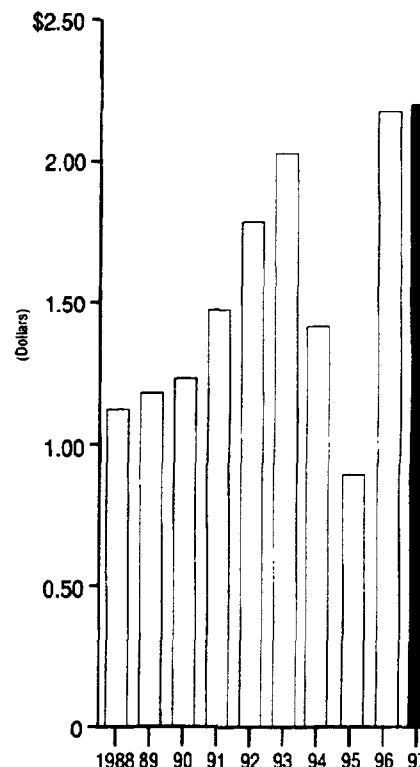
NET SALES



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 pretax restructuring charges of \$66.6, \$43.3 after taxes or \$.31 per diluted share for 1997 and \$39.8, \$31.7 after taxes or \$.24 per diluted share for 1996. Excluding the impact of the restructuring charges, net income available to common shareholders in 1997 was \$321.5 or \$2.46 per diluted share, increases of 8.7%, and 3.4% respectively, over 1996. Return on shareholders' equity, excluding the restructuring charges, was 9.7% for 1997 and 12.6% for 1996.

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

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



CROWN CORK & SEAL

Dear Fellow Shareholders:

When we wrote to you two years ago, we had just completed one of the largest cross-border acquisitions in Europe of all time. We then commenced a two-year program of intensive restructuring and modernization that is similarly substantial in its scope. We enter 1998 with impressive capabilities to both exceed our customers' expectations and to enhance our returns to shareholders.

The success of these actions is reflected in our results which show that on a continuing operations basis, we increased our net income by 23% over the prior year. We achieved this result despite the effects of a strong dollar, currency turmoil in the Far East and very competitive market conditions in certain areas of our business.

The Americas Division had a satisfactory year, managing to continue the profit recovery necessary to reverse the impact of the 1995 aluminum pricing change. Volumes improved in almost all product lines in the United States and our Canadian subsidiary had a strong year. Latin American operations were affected by some startup problems in Brazil, along with a general tightening of economic policy in some countries.

The European Division continued with the planned restructuring and we are pleased with the progress and the results to date. Management will complete this restructuring in early 1998, while also dealing with ever-changing market conditions. Selling, general and administrative expenses have declined and considerable progress has been made on the Shared Services Center introduction, which will rationalize the Company's administration in Europe.

The Asia-Pacific Division had a difficult year due to excess capacity in certain markets as well as currency turmoil and its impact on the economic environment in which we operate. Having finalized a substantial restructuring program, we feel that we are on the right track and believe the Far East has considerable growth potential in the years ahead.

The machine shops in the Subsidiaries Division continued to contribute to profits while Golden Aluminum, acquired in March 1997, made progress in supplying quality materials to the Company and third parties.

In May 1997, the divestiture of our Crown-Simplimatic business was completed and we retained a 20% equity interest. These operations were no longer a part of our core business.

Corporate Technologies continued to support the operating divisions with innovative developments to ensure world class customer service. We also prepared for the future by appointing new management to ensure our continuing leadership in technologies.

The Company continues to exceed environmental compliance standards and was the recipient of the prestigious Environmental Champion Award. The award, presented by Vice President Gore, recognizes the Company's outstanding integration of its environmental programs. Our world class performance program, which encompasses all of our business activities, continues to integrate the best practices within the Company.



CROWN CORK & SEAL

Capital expenditures in the year were \$515 million and we project expenditures of \$475 million for 1998. Cash spent worldwide in 1997 for restructuring and other acquisition related matters totaled over \$190 million. We expect cash outflows in this area to be much lower in 1998.

On March 2, 1998, we repurchased 5.3% of the Company's outstanding stock from CGIP, reducing their holdings to just under 5% and terminating the shareholders agreement. As a consequence of this action, and his assumption of new responsibilities, Ernest-Antoine Seilliere has informed us that he does not wish to stand for re-election to the Board of Directors. We understand his decision and thank him for his contribution during the years he was a Board member. We are happy to report that Guy de Wouters has agreed to remain on the Board as an independent director.

At the end of 1997, Robert J. Siebert and J. Douglass Scott both retired from the Board of Directors after 31 and 24 years of service, respectively. We thank Bob and Doug for their significant contributions to the growth of the Company and wish them well in the future. John W. Conway, Executive Vice President and President of the Americas Division, was elected to the Board on April 24, 1997. We welcome John, who has many years of experience in the packaging industry, and are sure he will continue to play a major role in our development.

We thank all of our employees for their continued efforts on behalf of the Company, especially during 1997, which was a year of great change and realignment.

We emerge from two years of internal restructuring, unmatched in our ability to support multinational customers with a wide range of packaging products. It is this competitive advantage and a disciplined acquisition strategy that will ensure our long-term success.

Sincerely,

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

Michael J. McKenna
President
and Chief Operating Officer

March 20, 1998

Consolidated Statements of Income

(in millions, except per share amounts)

	1997	1996	1995
Net sales	\$ 8,494.6	\$ 8,331.9	\$ 5,053.8
Costs, expenses and other income			
Cost of products sold (excluding depreciation and amortization) . . .	6,707.7	6,732.5	4,319.4
Depreciation and amortization	540.0	495.9	256.3
Selling and administrative expense	413.6	387.2	139.3
Provision for restructuring . . Note K.	66.6	39.8	102.7
Gain on sale of assets	(38.1)	(23.8)	(8.4)
Interest expense, net of interest income	339.9	305.8	136.1
Translation and exchange adjustments	7.9	(36.5)	(1.1)
	<u>8,037.6</u>	<u>7,900.9</u>	<u>4,944.3</u>
Income before income taxes and cumulative effect of accounting change	457.0	431.0	109.5
Provision for income taxes . . Note Q	<u>147.7</u>	<u>134.4</u>	<u>24.9</u>
Income from operations before cumulative effect of accounting change	<u>309.3</u>	<u>296.6</u>	<u>84.6</u>
Minority interests, net of equity earnings	(7.7)	(12.6)	(9.7)
Net income before cumulative effect of accounting change	<u>301.6</u>	<u>284.0</u>	<u>74.9</u>
Cumulative effect of accounting change, net of tax . . Note B.	(7.6)		
Net income	<u>294.0</u>	<u>284.0</u>	<u>74.9</u>
Preferred stock dividends . . Note N	<u>23.4</u>	<u>19.8</u>	
Net income available to common shareholders	<u>\$ 270.6</u>	<u>\$ 264.2</u>	<u>\$ 74.9</u>

Average common share data:

Earnings per average common share . . Note O.			
Basic - before cumulative effect of accounting change	\$ 2.17	\$ 2.16	\$.83
after cumulative effect of accounting change	<u>2.11</u>		
Diluted - before cumulative effect of accounting change	\$ 2.15	\$ 2.14	\$.83
after cumulative effect of accounting change	<u>2.10</u>		
Dividends	<u>\$ 1.00</u>	<u>\$ 1.00</u>	

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

Consolidated Balance Sheets

(in millions, except share data)

December 31	1997	1996
Assets		
Current assets		
Cash and cash equivalents	\$ 205.6	\$ 160.4
Receivables <i>Note C</i>	1,353.5	1,349.3
Inventories <i>Note D</i>	1,387.5	1,423.8
Prepaid expenses and other current assets	200.6	358.4
Total current assets	3,147.2	3,291.9
Long-term notes and receivables	65.0	82.2
Investments	89.5	90.3
Goodwill, net of amortization	4,625.2	4,809.9
Property, plant and equipment <i>Note E</i>	3,663.9	3,717.3
Other non-current assets	714.9	598.6
Total	\$12,305.7	\$12,590.2
Liabilities & Shareholders' Equity		
Current liabilities		
Short-term debt <i>Note L</i>	\$ 1,385.4	\$ 1,105.8
Current portion of long-term debt <i>Note L</i>	399.3	48.5
Accounts payable and accrued liabilities <i>Note F</i>	2,236.7	2,460.9
United States and foreign income taxes	27.9	47.3
Total current liabilities	4,049.3	3,662.5
Long-term debt, excluding current maturities <i>Note L</i>	3,301.4	3,923.5
Other non-current liabilities <i>Note G</i>	431.3	458.2
Postretirement and pension liabilities <i>Note R</i>	711.7	738.9
Minority interests	282.8	243.8
Shareholders' equity		
Preferred stock, 4.5% cumulative convertible, par value: \$41.8875; authorized: 12,432,622 <i>Note N</i>		
1997 - outstanding 12,431,793	520.8	
1996 - outstanding 12,432,622		520.8
Additional preferred stock, authorized: 30,000,000; none issued <i>Note N</i>		
Common stock, par value: \$5.00; authorized: 500,000,000 <i>Note N</i>		
1997 - issued 155,792,386	779.0	
1996 - issued 155,791,632		779.0
Additional paid-in capital	1,560.7	1,567.3
Retained earnings	1,327.2	1,185.0
Minimum pension liability <i>Note R</i>	(16.9)	(14.8)
Cumulative translation adjustment	(504.6)	(337.1)
Treasury stock (1997 - 27,393,843 shares; 1996 - 27,380,835 shares)	(137.0)	(136.9)
Total shareholders' equity	3,529.2	3,563.3
Total	\$12,305.7	\$12,590.2

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

Consolidated Statements of Cash Flows

(in millions)

	1997	1996	1995
Cash flows from operating activities			
Net income	\$ 294.0	\$ 284.0	\$ 74.9
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	540.0	495.9	256.3
Provision for restructuring	43.3	31.7	67.0
Foreign currency gain	(27.6)	(42.1)	(5.5)
Gain on sale of assets	(27.6)	(15.5)	(5.5)
Deferred income taxes	92.9	91.7	(3.2)
Changes in assets and liabilities, net of businesses acquired:			
Receivables	(115.0)	247.2	(24.7)
Inventories	(69.8)	20.3	(55.1)
Accounts payable, accrued and other liabilities	(219.5)	(193.8)	(172.5)
Other, net	(136.2)	(8.2)	27.4
Net cash provided by operating activities	<u>402.1</u>	<u>911.2</u>	<u>164.6</u>
Cash flows from investing activities			
Capital expenditures	(514.8)	(631.2)	(433.5)
Acquisition of businesses, net of cash acquired	(10.0)	(1,537.5)	(14.2)
Proceeds from sale of property, plant and equipment	43.3	32.6	26.8
Proceeds from sale of businesses	90.0	107.9	
Other, net	(6.4)	(6.5)	(17.1)
Net cash used for investing activities	<u>(397.9)</u>	<u>(2,034.7)</u>	<u>(438.0)</u>
Cash flows from financing activities			
Proceeds from long-term debt	123.7	2,075.1	365.4
Payments of long-term debt	(268.5)	(303.3)	(209.0)
Net change in short-term debt	359.5	(423.3)	99.8
Dividends paid	(151.8)	(145.4)	
Common stock:			
Repurchased for treasury	(17.2)		(.3)
Issued under various employee benefit plans	10.5	11.0	21.2
Minority contributions, net of dividends paid	11.0	3.7	21.5
Net cash provided by financing activities	<u>67.2</u>	<u>1,217.8</u>	<u>298.6</u>
Effect of exchange rate changes on cash and cash equivalents	(26.2)	(2.0)	(.6)
Net change in cash and cash equivalents	<u>45.2</u>	<u>92.3</u>	<u>24.6</u>
Cash and cash equivalents at January 1	<u>160.4</u>	<u>68.1</u>	<u>43.5</u>
Cash and cash equivalents at December 31	<u>\$ 205.6</u>	<u>\$ 160.4</u>	<u>\$ 68.1</u>

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

Consolidated Statements of Shareholders' Equity

(in millions, except share data)

	Preferred Stock	Common Stock	Paid-In Capital	Retained Earnings	Minimum Pension Liability	Cumulative Translation Adjustment	Treasury Stock	Total
Balance December 31, 1994		\$ 592.5	\$ 168.4	\$ 974.1	(\$ 48.1)	(\$ 175.9)	(\$ 145.8)	\$1,365.2
Net income - 1995				74.9				74.9
Stock repurchased:								
7,401 shares			(.3)				(.3)	
Stock issued under stock option and employee savings plans:								
1,298,175 shares			14.6				6.6	21.2
Minimum pension liability adjustment					16.0			16.0
Translation adjustments						(15.8)	(15.8)	
Balance December 31, 1995		592.5	182.7	1,049.0	(32.1)	(191.7)	(139.2)	1,461.2
Net income - 1996				284.0				284.0
Stock issued in business combination:								
Common: 37,300,818 shares		186.5	1,375.9					1,562.4
Preferred: 12,432,622 shares	\$520.8							520.8
Dividends declared:								
Common				(128.2)			(128.2)	
Preferred				(19.8)			(19.8)	
Stock issued under stock option and employee savings plans:								
459,165 shares			8.7				2.3	11.0
Minimum pension liability adjustment					17.3			17.3
Translation adjustments						(145.4)	(145.4)	
Balance December 31, 1996	520.8	779.0	1,567.3	1,185.0	(14.8)	(337.1)	(136.9)	3,563.3
Net income - 1997				294.0				294.0
Stock repurchased:								
342,414 shares			(15.5)				(1.7)	(17.2)
Dividends declared:								
Common				(128.4)			(128.4)	
Preferred				(23.4)			(23.4)	
Stock issued under stock option and employee savings plans:								
329,406 shares			8.9				1.6	10.5
Minimum pension liability adjustment					(2.1)		(2.1)	
Translation adjustments						(167.5)	(167.5)	
Balance December 31, 1997	\$ 520.8	\$ 779.0	\$1,560.7	\$1,327.2	(\$ 16.9)	(\$ 504.6)	(\$ 137.0)	\$3,529.2

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

Notes to Consolidated Financial Statements

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

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 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 \$333.8 and \$221.6 at December 31, 1997 and 1996, 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 \$53.1, \$51.5 and \$22.3 in 1997, 1996 and 1995, respectively, are expensed as incurred. Substantially all engineering and development costs are related to developing new products or designing significant improvements to existing products.

Earnings Per Share

The Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 128, Earnings Per Share ("SFAS No. 128"), in February 1997. SFAS No. 128 simplifies the procedure for computing earnings per share ("EPS") and replaces primary and fully diluted earnings per share with basic ("Basic") and diluted ("Diluted") earnings per share. 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. The adoption of SFAS No. 128 has resulted in the restatement of earnings per share for all prior periods presented in the consolidated financial statements and notes thereto. See Note O for a further discussion and presentation of the computations required by the new Standard.

Reclassifications

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

B. Accounting Change

In the fourth quarter 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 \$7.6 or \$.05 per diluted share.

C. Receivables

	1997	1996
Accounts and notes receivable	\$1,150.1	\$1,266.2
Less: allowance for possible losses	(44.5)	(92.0)
Net trade receivables	1,105.6	1,174.2
Miscellaneous receivables	247.9	175.1
	<u>\$1,353.5</u>	<u>\$1,349.3</u>

The Company has agreements to sell certain of its non-U.S. trade accounts receivable. At December 31, 1997 approximately \$149 (\$134 at December 31, 1996) of receivables had been sold with limited recourse and are reflected as a reduction of trade receivables. Related fees and discounting expense amounted to \$1.4 in 1997 and \$5.0 in 1996 and are included in interest expense.

D. Inventories

	1997	1996
Finished goods	\$ 560.5	\$ 529.8
Work in process	187.3	210.7
Raw materials	467.6	550.1
Supplies and repair parts	172.1	133.2
	<u>\$1,387.5</u>	<u>\$1,423.8</u>

Approximately 29% and 34% of worldwide inventories at December 31, 1997 and 1996, 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, 1997 and 1996, total inventories would have been \$25.3 and \$18.5 higher, respectively.

E. Property, Plant and Equipment

	1997	1996
Buildings and improvements	\$ 925.9	\$ 886.4
Machinery and equipment	<u>4,127.2</u>	<u>3,744.0</u>
	5,053.1	4,630.4
Less: accumulated depreciation and amortization	(1,921.0)	(1,537.9)
	3,132.1	3,092.5
Land and improvements	207.9	258.2
Construction in progress	<u>323.9</u>	<u>366.6</u>
	<u>\$3,663.9</u>	<u>\$3,717.3</u>

F. Accounts Payable and Accrued Liabilities

	1997	1996
Trade accounts payable	\$1,342.8	\$1,377.0
Interest	65.5	78.2
Salaries, wages and other employee benefits	254.9	214.5
Environmental	4.5	6.7
Restructuring	151.9	243.3
Deferred taxes	83.0	101.5
Other	<u>334.1</u>	<u>439.7</u>
	<u>\$2,236.7</u>	<u>\$2,460.9</u>

G. Other Non-Current Liabilities

	1997	1996
Postemployment benefits	\$ 36.5	\$ 36.3
Environmental	34.9	46.9
Restructuring	3.4	16.4
Deferred taxes	304.4	304.0
Other	<u>52.1</u>	<u>54.6</u>
	<u>\$ 431.3</u>	<u>\$ 458.2</u>

Other non-current assets include \$18.5 and \$16.6 at December 31, 1997 and 1996, respectively, for estimated recoveries related to environmental liabilities.

H. Acquisitions

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 due within two years. Under the terms of the purchase, the Company holds a put option enabling it to return GAC to ACX if it chooses to exercise the option during the next two years.

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 L 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.

During 1995, the Company acquired, in separate transactions, the assets of a plastics recycling company in Florida for approximately \$3 in cash and the assets of a beverage can manufacturer in Huizhou, China for approximately \$11 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 \$3,800 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:

	1997	1996	1995
Fair value of assets acquired, including goodwill	\$ 70.0	\$ 7,995.2	\$ 14.2
Liabilities assumed		(4,003.5)	
Note payable	(60.0)		
Issuance of common stock		(1,562.4)	
Issuance of 4.5% cumulative convertible preferred stock		(520.8)	
Cash paid	<u>\$ 10.0</u>	<u>\$ 1,908.5</u>	<u>\$ 14.2</u>

I. Lease Commitments

The Company and its subsidiaries lease manufacturing, warehouse and office facilities and certain equipment, a significant portion of these obligations having been assumed with the acquisition of CMB. 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, 1997 was \$45.9.

Under long-term operating leases, minimum annual rentals are \$27.0 in 1998, \$19.6 in 1999, \$13.6 in 2000, \$10.7 in 2001, \$9.0 in 2002, and a total of \$48.9 for 2003 and thereafter. Under long-term capital leases, minimum annual rentals are \$11.2 in 1998, \$10.7 in 1999, \$6.8 in 2000, \$6.0 in 2001, \$5.4 in 2002, and a total of \$9.5 for 2003 and thereafter. The present value of future minimum payments on capital leases is \$42.9 with the current portion of the obligation being \$9.0. Rental expense (net of sub-lease rental income of \$3.7 in 1997, \$5.5 in 1996 and \$.8 in 1995) amounted to \$37.5 in 1997, \$35.1 in 1996 and \$22.7 in 1995.

J. 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 the products in its Metals and Plastics packaging segments 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 previously 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 subject to various lawsuits and claims with respect to matters such as governmental 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 or financial position of the Company.

K. Restructuring

During the third quarter of 1997, the Company provided \$66.6 (\$43.3 after taxes or \$.31 per diluted share) for the costs associated with a plan to improve the structure of its polyethylene terephthalate ("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. Annual savings relating to these actions, when fully implemented, are expected to be approximately \$20.0 (\$.14 per diluted share). The Company expects to maintain its existing manufacturing capacity, and by relocating equipment among its remaining larger facilities, meet all current and prospective volume requirements. The Company records restructuring charges against operations and provides a reserve based on the best information available at the time that the decision is made to restructure. The balance of 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 Company made an assessment of the restructuring and exit costs to be incurred relative to the acquisition of CMB. Affected by the plan of restructuring are forty plants and regional administrative offices to be closed and approximately fifty-two plants to be reorganized. Since commencement of the plan of restructuring, the Company has determined alternative sites for manufacture and qualified the new manufacturing sites with customers. The Company had accrued approximately \$534 for the costs associated with restructuring CMB operations and allocated such costs to the purchase price of CMB in accordance with purchase accounting requirements. These costs comprise; severance pay and benefits, write-down of assets, lease termination and other exit costs. The cost of providing severance pay and benefits for the reduction of approximately 6,500 employees is estimated at approximately \$257 and is primarily a cash expense. Employees to be terminated include most, if not all, employees at each plant or office to be closed and selected employees at those plants to be reorganized, including salaried employees and employees of the respective unions represented at each plant site. The write-down of assets (principally property, plant and equipment) is estimated at approximately \$217 and has been reflected as a reduction in the carrying value of the Company's assets. Lease termination and other exit costs, primarily repayments of government grants and subsidies, are estimated at approximately \$60 and are primarily cash expenses. The \$534 in restructuring costs recorded in connection with the CMB acquisition includes the \$95 restructuring charge announced in 1996 by CarmaudMetalbox Asia Ltd., a subsidiary of the Company.

The Company estimates that the plan of restructuring CMB operations will generate annual cost savings of approximately \$160 (\$105 after-tax) on a full year basis. It is also estimated that capital expenditures of approximately \$100 will be made to expand and upgrade other facilities to minimize the adverse effects of the restructuring on existing business and customer relationships.

During 1996, the Company provided \$39.8 (\$31.7 after taxes or \$.24 per diluted 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. During 1995, the Company recorded a pre-tax restructuring charge of \$102.7 (\$67.0 after taxes or \$.74 per diluted share) to streamline North American operations, improve productivity and to enhance competitiveness. The 1996 and 1995 restructuring plans have been completed.

The components of the restructuring reserve are as follows:

	Balance at December 31, 1996	Provisions for existing businesses	Provisions for CMB businesses	1997 activity	Transfer against assets	Balance at December 31, 1997
Employee costs	\$222.1	\$13.3	(\$11.9)	(\$104.0)		\$119.5
Write-down of assets		44.3	32.0		(\$76.3)	
Lease termination and other exit costs	37.6	9.0	11.5	(22.3)		35.8
	<u>\$259.7</u>	<u>\$66.6</u>	<u>\$31.6</u>	<u>(\$126.3)</u>	<u>(\$76.3)</u>	<u>\$155.3</u>

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 materials 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 are not necessarily indicative of future performance, which may be significantly more or less favorable than as set forth above and is subject to the considerations described in Management's Discussion and Analysis under "Forward Looking Statements". Shareholders are cautioned not to place undue reliance on the estimates and the 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.

L. Short-Term Borrowings and Long-Term Debt

	1997	1996
Short-term borrowings (1)		
Commercial paper (2)	\$ 548.0	\$ 232.1
U.S. dollar bank loans/overdrafts	155.2	164.9
Other currency bank loans/overdrafts	682.2	708.8
Total short-term borrowings	<u>\$ 1,385.4</u>	<u>\$ 1,105.8</u>
Long-term debt (6)		
U.S. Dollars:		
Commercial paper (2) (5)	\$ 700.0	\$ 700.0
Private placements: rates in 1997 ranging from 7.0% to 7.54%, due 2000 through 2005	205.0	205.0
Senior notes and debentures:		
5.88% due 1998	100.0	100.0
7.00% due 1999	100.0	100.0
6.75% due 2003 (3)	400.0	400.0
6.75% due 2003	200.0	200.0
8.38% due 2005	300.0	300.0
7.00% due 2006 (3)	300.0	300.0
8.00% due 2023	200.0	200.0
7.38% due 2026 (3)	350.0	350.0
7.50% due 2096 (3)	150.0	150.0
Other indebtedness: rates in 1997 ranging from 6.2% to 10.1%, due 1998 through 2015	202.3	188.0
	<u>3,207.3</u>	<u>3,193.0</u>
Other currencies (average interest rate at December 31, 1997 in parentheses):		
Perpetual notes in French Francs (8.0%) (4)		232.5
Preference shares in French Francs (6.7%), due 1998	254.3	283.9
Other French Franc indebtedness (7.0% to 9.8%), due 1998 through 2001	97.8	147.9
Capital lease obligations in various currencies	42.9	40.0
Other indebtedness in various currencies, rates in 1997 ranging from 3.75% to 17.5%, due 1998 through 2003	98.4	74.7
Total long-term debt	<u>3,700.7</u>	<u>3,972.0</u>
Less: current maturities.	(399.3)	(48.5)
Total long-term debt	<u>\$ 3,301.4</u>	<u>\$ 3,923.5</u>

(1) The weighted average interest rates for commercial paper outstanding during 1997, 1996 and 1995, were 5.3%, 5.5% and 6.1%, respectively. The weighted average interest rates for notes and overdrafts outstanding during 1997, 1996 and 1995, were 6.4%, 6.3% and 8.6%, respectively.

(2) At December 31, 1997 and December 31, 1996, \$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) On November 26, 1996, the Company filed with the Securities and Exchange Commission a shelf registration statement for the possible offering 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 a December 1994 Registration Statement, 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 included 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, 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. Proceeds from the offering were used to repay acquisition indebtedness arising from the CMB acquisition.

(4) On January 31, 1997, the perpetual notes were terminated and refinanced by the Company's committed long-term credit facilities.

(5) On February 4, 1997, the Company's \$1,000 multicurrency credit facility and FRF 13,700 credit agreement were replaced with a new multicurrency revolving credit agreement with a group of domestic and foreign banks. The new agreement makes available \$2,500 through 2002. Borrowings of \$355.2 at December 31, 1997 under the new agreement are unsecured and bear interest at variable market rates. The agreement contains certain financial covenants related to leverage and interest coverage. Borrowings outstanding under the prior FRF 13,700 credit agreement amounting to \$493.1, at December 31, 1996, were refinanced under this new agreement.

(6) The Company is also party to other interest rate swap agreements, with remaining terms of between one to five years. 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, 1997 and December 31, 1996 the notional amounts of these swaps were \$553 and \$1,219, respectively.

Aggregate maturities of total long-term debt for the five years subsequent to December 31, 1997 are \$399.3, \$170.2, \$160.0, \$208.2 and \$48.1, respectively. Cash payments for interest were \$378.7 in 1997, \$290.5 in 1996 and \$113.4 in 1995 (including amounts capitalized of \$6.0 in 1997, \$7.7 in 1996 and \$5.8 in 1995, 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 \$3,790.8 at December 31, 1997 and did not differ materially from the carrying value at December 31, 1996.

M. Financial Instruments

In the normal course of business, 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, 1997 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 \$2,902 (\$2,311 at December 31, 1996). 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, 1997 and December 31, 1996. 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 L. 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 products in its metal and plastic packaging segments 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, 1997 and December 31, 1996 the fair value of the outstanding commodity contracts was not material to the Company's earnings, cash flows or financial position.

N. 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. Generally, each share of acquisition preferred stock is entitled to the number of votes equal to the number of shares of common stock into which such share of acquisition preferred stock is convertible as of the applicable record date. Dividends on shares issued accrue and are paid quarterly in arrears on February 20, May 20, August 20 and November 20 each year. 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.

In May 1996, the Company registered 10 million shares of common stock with the Securities and Exchange Commission for the implementation of a Dividend Reinvestment and Stock Purchase Plan ("Plan"). The Plan covers all registered shareholders 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. The Plan allows for full or partial dividend reinvestment in the Company's common stock.

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.

O. Earnings Per Share

The following table summarizes the basic and diluted earnings per share computations for 1997, 1996 and 1995:

	1997			1996			1995		
	Income	Average Shares	EPS	Income	Average Shares	EPS	Income	Average Shares	EPS
Net Income	\$ 294.0			\$284.0			\$ 74.9		
Less: Preferred stock dividends	(23.4)			(19.8)					
Basic EPS	\$ 270.6	128.4	\$ 2.11	\$264.2	122.5	\$ 2.16	\$ 74.9	90.2	\$.83
Potentially dilutive securities:									
Stock options		.6			.3			.4	
Assumed preferred stock conversion	23.4	11.3		19.8	9.6				
Diluted EPS	\$ 294.0	140.3	\$ 2.10	\$284.0	132.4	\$ 2.14	\$ 74.9	90.6	\$.83

P. Stock Options

As of December 31, 1997, the Company has three stock-based incentive compensation plans under which the Company grants options to executives and key employees to purchase common stock: the 1990 plan, the 1994 plan and the 1997 plan. 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. At December 31, 1997, there had been no awards granted under the 1997 plan. 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 over a five-year period 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:

	1997		1996		1995	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Options outstanding at January 1	4,625,708	\$42.28	1,836,452	\$33.30	2,970,225	\$25.67
Granted	877,350	52.27	3,544,750	44.35	326,600	40.32
Exercised	(281,380)	33.36	(516,100)	25.58	(1,385,309)	17.56
Canceled	(475,882)	43.39	(239,394)	39.94	(75,064)	36.87
Options outstanding at December 31	<u>4,745,796</u>	<u>\$44.54</u>	<u>4,625,708</u>	<u>\$42.28</u>	<u>1,836,452</u>	<u>\$33.30</u>
Options exercisable at December 31	1,083,464		709,115		591,351	
Options available for grant at December 31	6,469,616		1,871,084		5,176,440	

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
\$10.44 to \$38.25	485,740	4.9	\$35.22	263,927	\$33.50
38.38 to 43.13	413,256	3.4	40.11	238,999	39.57
44.13 to 52.56	3,260,800	4.9	44.96	580,538	44.46
53.00 to 54.38	586,000	8.9	53.03		
	<u>4,745,796</u>	5.3	<u>\$44.54</u>	<u>1,083,464</u>	<u>\$40.71</u>

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:

		1997	1996	1995
Net income	As reported	\$ 270.6	\$ 264.2	\$ 74.9
	Pro forma	\$ 263.6	\$ 260.5	\$ 74.7
Basic earnings per share	As reported	\$ 2.11	\$ 2.16	\$.83
	Pro forma	\$ 2.05	\$ 2.13	\$.83
Diluted earnings per share	As reported	\$ 2.10	\$ 2.14	\$.83
	Pro forma	\$ 2.05	\$ 2.12	\$.82

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

	1997	1996	1995
Risk-free interest rate	5.7%	6.2%	5.4%
Expected life of option	4.9 years	4.9 years	4.9 years
Expected stock price volatility	21.7%	20.7%	20.7%
Expected dividend yield	2.0%	2.2%	None

The weighted average grant date fair values for options granted during 1997, 1996 and 1995 were \$12.92, \$11.01 and \$13.01, respectively.

Q. Income Taxes

Pretax income for the years ended December 31 was taxed under the following jurisdictions:

	1997	1996	1995
Domestic	\$ 48.8	\$ 66.8	\$ 30.8
Foreign	408.2	364.2	78.7
	<u>\$457.0</u>	<u>\$431.0</u>	<u>\$109.5</u>

The provision for income taxes consists of the following:

Current tax provision:			
U.S. Federal	\$ 13.9	\$ 15.0	\$ 16.2
State and foreign	40.9	27.7	11.9
	<u>54.8</u>	<u>42.7</u>	<u>28.1</u>
Deferred tax provision:			
U.S. Federal	9.9	17.5	(3.1)
State and foreign	83.0	74.2	(.1)
	<u>92.9</u>	<u>91.7</u>	<u>(3.2)</u>
	<u>\$147.7</u>	<u>\$134.4</u>	<u>\$ 24.9</u>

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 pretax income as a result of the following differences:

	1997	1996	1995
U.S. statutory rate	35.0%	35.0%	35.0%
Non-U.S. operations at different rates	(6.6)	(7.7)	(14.5)
Effect of non-U.S. statutory rate changes	(1.5)		
Amortization of acquisition adjustments	9.5	8.5	8.0
Valuation allowance	(2.7)	(4.0)	(1.8)
Other items, net	(1.4)	(.6)	(4.0)
Effective income tax rate	<u>32.3%</u>	<u>31.2%</u>	<u>22.7%</u>

The Company paid federal, state, local and foreign (net) income taxes of \$51.0 for 1997, \$41.4 for 1996 and \$28.0 for 1995. The components of deferred tax assets and liabilities at December 31, were:

	1997		1996	
	<u>Asset</u>	<u>Liability</u>	<u>Asset</u>	<u>Liability</u>
Depreciation		\$ 397.7		\$ 421.5
Postretirement and postemployment benefits	\$ 221.8		\$ 208.3	
Pensions		90.7		46.9
Inventories		27.4		32.6
Tax loss and credit carryforwards	209.9		275.0	
Restructuring	40.6		90.0	
Accruals and other	<u>88.3</u>	<u>25.8</u>	<u>85.6</u>	<u>16.8</u>
	560.6	541.6	658.9	517.8
Valuation allowance	(<u>124.2</u>)		(<u>139.0</u>)	
	<u>\$ 436.4</u>	<u>\$ 541.6</u>	<u>\$ 519.9</u>	<u>\$ 517.8</u>

Prepaid expenses and other current assets include \$95.3 and \$237.1 of deferred tax assets at December 31, 1997 and 1996, respectively. Other non-current assets include \$186.9 and \$170.5 of deferred tax assets at December 31, 1997 and 1996, respectively.

The Company has recorded \$61.4 of deferred tax assets arising from tax loss and credit carryforwards, which will be realized through future operations and an additional \$24.3 which will be realized through the reversal of existing temporary differences. Future recognition of the remaining \$124.2 will be made 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 \$52.4 expire over the next five years, \$49.7 in years six through fifteen and \$107.8 can be utilized over an indefinite period.

The valuation allowance of \$124.2 includes \$113.3 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 \$238.8 as of December 31, 1997. Management has no plans to distribute such earnings in the foreseeable future.

R. Pensions and Other Retirement Benefits

Pensions

The Company sponsors various pension plans, covering substantially all U.S., Canadian and some non-U.S. and non-Canadian employees and participates in certain multi-employer pension plans. The benefits for 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 \$3,524.1 consist principally of common stocks, fixed income securities and other investments, including \$287.6 of the Company's common stock.

The 1997, 1996 and 1995 components of pension (income)/cost were as follows:

	1997	1996	1995
Service cost—benefits earned during the year	\$ 43.4	\$ 49.7	\$ 19.9
Interest cost on projected benefit obligations	228.5	200.3	96.9
Return on assets:—actual	(503.8)	(353.9)	(200.7)
—deferred gain	151.5	66.4	79.3
Amortization of net unrecognized loss at January 1, 1986	.1	.1	.1
Amortization of net unrecognized (gain) / loss	(.4)	2.8	2.2
(Income)/cost attributable to plant closings	(.1)	(.8)	8.3
Total pension (income)/cost	<u>(\$ 80.8)</u>	<u>(\$ 35.4)</u>	<u>\$ 6.0</u>

The funded status of company-sponsored plans, including the assets and liabilities assumed in connection with acquisitions, at December 31, 1997 and 1996 was as follows:

	1997				1996			
	U.S. Plans		Non-U.S. Plans		U.S. Plans		Non-U.S. Plans	
	Overfunded	Underfunded	Overfunded	Underfunded	Overfunded	Underfunded	Overfunded	Underfunded
Actuarial present value of:								
Vested benefit obligation	(\$1,175.4)	(\$19.9)	(\$1,553.0)	(\$168.3)	(\$1,138.1)	(\$17.7)	(\$1,476.1)	(\$155.6)
Non-vested benefits	(11.4)	(1.3)	(2.8)	(15.4)	(8.2)	(1.5)	(4.0)	(15.2)
Accumulated benefit obligation	<u>(\$1,186.8)</u>	<u>(\$21.2)</u>	<u>(\$1,555.8)</u>	<u>(\$183.7)</u>	<u>(\$1,146.3)</u>	<u>(\$19.2)</u>	<u>(\$1,480.1)</u>	<u>(\$170.8)</u>
Actuarial present value of projected benefit obligation	(\$1,214.1)	(\$22.7)	(\$1,559.6)	(\$211.0)	(\$1,170.7)	(\$20.5)	(\$1,484.9)	(\$200.5)
Plan assets at fair value	<u>1,373.1</u>	<u>8.2</u>	<u>2,079.0</u>	<u>63.8</u>	<u>1,331.0</u>	<u>5.8</u>	<u>1,907.2</u>	<u>50.5</u>
Plan assets in excess of (less than) projected benefit obligation	159.0	(14.5)	519.4	(147.2)	160.3	(14.7)	422.3	(150.0)
Unrecognized net (gain)/loss since 1986	(51.8)	(1.6)	(177.6)	30.0	(99.5)	(1.8)	(131.2)	(.6)
Unrecognized (gain)/loss at January 1, 1986	(2.8)	10.2	(.2)	(3.2)	11.0	(.4)		
Unrecognized prior service cost	8.1	.3	3.2	5.4	(1.5)	3.1		
Minimum liability		(10.3)		(29.1)		(10.8)		(25.8)
Prepaid (accrued) pension cost at December 31	<u>\$ 112.5</u>	<u>(\$15.9)</u>	<u>\$ 344.8</u>	<u>(\$146.3)</u>	<u>\$ 63.0</u>	<u>(\$16.3)</u>	<u>\$ 289.2</u>	<u>(\$173.3)</u>

Other non-current assets include \$436.5 and \$340.3 of prepaid pension cost at December 31, 1997 and 1996, respectively.

The Company recognizes a minimum pension liability for underfunded plans. The minimum liability is equal to the excess of the accumulated benefit obligation over plan assets. A corresponding amount is recognized as either an intangible asset, to the extent of previously unrecognized prior service cost and previously unrecognized transition obligation, or a reduction of shareholders' equity. The Company had recorded additional liabilities of \$39.4 and \$36.6 as of December 31, 1997 and 1996, respectively. An intangible asset of \$12.9 and \$13.7 and a shareholders' equity reduction, net of income taxes, of \$16.9 and \$14.8 was recorded as of December 31, 1997 and 1996, respectively.

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

	U.S. Plans			Non-U.S. Plans		
	1997	1996	1995	1997	1996	1995
Discount rate	7.4%	8.0%	7.4%	8.0%	8.8%	8.5%
Compensation increase	3.5%	3.5%	5.0%	6.0%	6.5%	5.5%
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 net postretirement benefit cost was comprised of the following:

	1997	1996	1995
Service cost - benefits earned during the year	\$ 3.5	\$ 4.2	\$ 4.0
Interest cost on accumulated postretirement benefit obligation	39.5	38.8	36.5
Amortization of net unrecognized (gain)	(3.6)	(1.4)	(5.0)
Cost attributable to plant closings	.2		4.2
Net postretirement benefit cost	<u>\$ 39.6</u>	<u>\$ 41.6</u>	<u>\$ 39.7</u>

Health care claims and life insurance benefits paid totaled \$45.5 in 1997, \$40.9 in 1996 and \$42.5 in 1995.

The following provides a reconciliation of the accumulated postretirement benefit obligation to the liabilities recognized in the Company's balance sheet as of December 31:

	1997	1996
Retirees	(\$ 452.3)	(\$ 406.2)
Fully eligible active plan participants	(37.3)	(50.3)
Other active plan participants	(58.0)	(47.8)
Total accumulated obligation	<u>(547.6)</u>	<u>(504.3)</u>
Unrecognized net (gain)	(53.7)	(103.6)
Accrued postretirement benefit obligation	<u>(\$ 601.3)</u>	<u>(\$ 607.9)</u>

The health care accumulated postretirement benefit obligation was determined at December 31, 1997 and 1996 using health care trend rates of 8.7% and 9.2%, respectively, decreasing to 4.8% and 4.9% over eight years and nine years, respectively. The assumed long-term rate of compensation increase used for life insurance was 3.5% at both December 31, 1997 and 1996. The discount rate was 7.4% and 8.0% at December 31, 1997 and 1996, respectively. Changing the assumed health care cost trend rate by one percentage point in each year would change the accumulated postretirement benefit obligation by \$42.8 and the net postretirement benefit cost by \$3.0.

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 1997 and 1996 were 89,392 and 78,051, respectively, and the Company's contributions were approximately \$.6 in both years.

S. Segment Information by Industry Segment and Geographic Area**A. Industry Segment**

	Net Sales	Operating Income	% To Net Sales	Identifiable Assets	Depreciation & Amortization	Capital Expenditures
1997						
Metal Packaging & Other (1) . . .	\$6,940.9	\$624.2 (2)	9.0	\$ 9,684.8	\$389.2	\$396.2
Plastic Packaging	1,553.7	142.5 (2)	9.2	2,415.3	150.8	118.6
Consolidated	<u>\$8,494.6</u>	<u>\$766.7 (5)</u>	9.0	<u>\$12,100.1 (6)</u>	<u>\$540.0</u>	<u>\$514.8</u>
1996						
Metal Packaging & Other (1) . . .	\$6,619.7	\$503.0 (3)	7.6	\$ 9,877.1	\$367.0	\$534.1
Plastic Packaging	1,712.2	173.5	10.1	2,552.7	128.9	97.1
Consolidated	<u>\$8,331.9</u>	<u>\$676.5 (5)</u>	8.1	<u>\$12,429.8 (6)</u>	<u>\$495.9</u>	<u>\$631.2</u>
1995						
Metal Packaging & Other (1) . . .	\$3,811.1	\$159.2 (4)	4.2	\$ 3,688.9	\$177.9	\$287.7
Plastic Packaging	1,242.7	76.9 (4)	6.2	1,294.7	78.4	145.8
Consolidated	<u>\$5,053.8</u>	<u>\$236.1 (5)</u>	4.7	<u>\$ 4,983.6 (6)</u>	<u>\$256.3</u>	<u>\$433.5</u>

B. Geographic Area

1997						
United States	\$3,394.4	\$217.8 (2)	6.4	\$ 4,010.5	\$212.4	\$128.9
Europe	3,775.9	482.5 (2)	12.8	6,182.2	253.3	284.4
Asia-Pacific	368.5	3.3	.9	435.2	31.8	18.6
Other	955.8	63.1	6.6	1,472.2	42.5	82.9
Consolidated	<u>\$8,494.6</u>	<u>\$766.7 (5)</u>	9.0	<u>\$12,100.1 (6)</u>	<u>\$540.0</u>	<u>\$514.8</u>
1996						
United States	\$3,327.1	\$205.1	6.2	\$ 3,843.8	\$204.0	\$199.2
Europe	3,745.2	427.8 (3)	11.4	6,884.9	219.0	232.3
Asia-Pacific	383.9	5.9	1.5	619.8	34.6	90.9
Other	875.7	37.7 (3)	4.3	1,081.3	38.3	108.8
Consolidated	<u>\$8,331.9</u>	<u>\$676.5 (5)</u>	8.1	<u>\$12,429.8 (6)</u>	<u>\$495.9</u>	<u>\$631.2</u>
1995						
United States	\$3,376.2	\$140.6 (4)	4.2	\$ 3,372.6	\$175.4	\$260.5
Europe	785.2	58.3	7.4	606.1	38.6	50.9
Asia - Pacific	151.9	22.5	14.8	222.7	7.4	61.9
Other	740.5	14.7 (4)	2.0	782.2	34.9	60.2
Consolidated	<u>\$5,053.8</u>	<u>\$236.1 (5)</u>	4.7	<u>\$ 4,983.6 (6)</u>	<u>\$256.3</u>	<u>\$433.5</u>

(1) Within "Metal Packaging & Other" is the Company's machinery operation, sold in May 1997, which, along with other non-metal packaging domestic affiliates, is not significant.

(2) Operating income for 1997 includes restructuring charges of \$55.2 for U.S. Plastics Packaging and \$11.4 for Europe Metal Packaging.

(3) Operating income for 1996 includes restructuring charges of \$30.1 for Europe Metal Packaging and \$9.7 for Other Metal Packaging.

(4) Operating income for 1995 includes restructuring charges of \$81.4 for U.S. Metal Packaging, \$3.9 for U.S. Plastic Packaging, \$4.4 for Other Plastic Packaging and \$13.0 for Other Metal Packaging.

(5) The following reconciles operating income to pre-tax income:

	1997	1996	1995
Operating income*	\$ 766.7	\$ 676.5	\$ 236.1
Interest and other corporate expense**	(309.7)	(245.5)	(126.6)
Pre-tax income	<u>\$ 457.0</u>	<u>\$ 431.0</u>	<u>\$ 109.5</u>

*Has been restated for prior years to conform with the 1996 presentation of operating income.

**Includes interest expense net of interest income, gain on sale of assets and translation and exchange adjustments.

(6) The following reconciles identifiable assets to total assets:

	1997	1996	1995
Identifiable assets	\$12,100.1	\$12,429.8	\$4,983.6
Corporate assets	205.6	160.4	68.1
Total assets	<u>\$12,305.7</u>	<u>\$12,590.2</u>	<u>\$5,051.7</u>

The results of operations and financial position of CarnaudMetalbox are included from the acquisition date of February 22, 1996. Included in "Other" are affiliates in Canada, Central and South America, Africa and the Middle East.

For the years ended December 31, 1997, 1996 and 1995, respectively, no one customer accounted for more than 10% of the Company's net sales.

Total non-U.S. liabilities were \$4,760.1, \$4,772.0 and \$822.4 at December 31, 1997, 1996 and 1995, respectively.

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

T. Subsequent Events

On March 2, 1998, the Company completed the repurchase of approximately 4.1 million shares of its common stock at \$49.00 per share and approximately 3.7 million shares of its acquisition preferred at \$46.00 per share from CGIP. The repurchased shares represented approximately 5.3% of the Company's then outstanding voting securities and leaves CGIP with 4.99% voting power in the Company. The repurchased shares include all of CGIP's acquisition preferred position which represented approximately 30% of the then outstanding shares of acquisition preferred. The transaction includes an agreement to terminate the Shareholders Agreement dated February 22, 1996 between the Company and CGIP. Among other changes, CGIP will no longer retain the right to designate Company directors. The transaction value of \$369 was financed through an increase in short-term indebtedness.

U. Quarterly Data (unaudited)

	1997				1996			
	First	Second	Third	Fourth	First	Second	Third	Fourth
Net sales	\$1,937.3	\$2,286.6	\$2,341.3	\$1,929.4	\$1,551.2	\$2,353.7	\$2,462.1	\$1,964.9
Gross profit*	253.6	361.7	302.2 ⁽¹⁾	262.8	170.8	294.2 ⁽³⁾	343.5	255.2 ⁽⁴⁾
Net income available to common shareholders	33.1	126.2	79.4 ⁽¹⁾	31.9 ⁽²⁾	29.1	98.3 ⁽³⁾	103.5	33.3 ⁽⁴⁾
Average common shares outstanding (in millions):								
Basic	128.5	128.6	128.3	128.4	105.1	128.1	128.5	128.3
Diluted	140.5	140.6	140.1	140.0	109.8	139.8	139.8	140.1
Earnings per average common share:**								
Basic	\$.26	\$.98	\$.62 ⁽¹⁾	\$.25 ⁽²⁾	\$.28	\$.77 ⁽³⁾	\$.81	\$.26 ⁽⁴⁾
Diluted	†	.94	.61 ⁽¹⁾	†	†	.75 ⁽³⁾	.78	†
Dividends per common share	.25	.25	.25	.25	.25	.25	.25	.25
Common stock price range:***								
High	\$ 59 ³ / ₄	\$ 58 ¹ / ₂	\$ 56 ⁷ / ₈	\$ 51 ³ / ₁₆	\$ 51	\$ 49 ¹ / ₈	\$ 49 ¹ / ₂	\$ 55 ¹ / ₂
Low	51 ¹ / ₈	51 ¹ / ₈	44 ⁷ / ₈	43 ³ / ₁₆	40 ⁵ / ₈	43 ⁵ / ₈	41	45 ¹ / ₂
Close	51 ¹ / ₈	53 ⁷ / ₁₆	46 ¹ / ₈	50 ¹ / ₈	48 ³ / ₄	45	46 ¹ / ₈	54 ³ / ₈

The results in 1996 include the operations of CarnaudMetalbox from the acquisition date of February 22, 1996.

† Diluted earnings per share for the first and fourth quarters is the same as Basic as the assumed exercise of stock options and conversion of convertible preferred stock is anti-dilutive.

* Net sales less cost of products sold, depreciation and 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 \$66.6, \$43.3 after taxes or \$.34 per basic share and \$.31 per diluted share. Excluding the impact of the restructuring charges, net income was \$122.7 or \$.96 per basic share and \$.92 per diluted share. See Note K for additional details.

(2) Includes the after-tax charge of \$7.6 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 \$39.5 or \$.31 per basic and diluted share.

(3) Includes pre-tax restructuring charges of \$29.6, \$21.9 after taxes or \$.17 per basic share and \$.16 per diluted share. Excluding the impact of the restructuring charges, net income was \$120.2 or \$.94 per basic share and \$.90 per diluted share. See Note K for additional details.

(4) Includes pre-tax restructuring charges of \$10.2, \$9.8 after taxes or \$.08 per basic and diluted share. Excluding the impact of the restructuring charges, net income was \$43.1 or \$.34 per basic and diluted share. See Note K for additional details.

Five Year Summary Of Selected Financial Data

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

	1997	1996	1995	1994	1993
Summary of Operations					
Net sales	\$ 8,494.6	\$ 8,331.9	\$ 5,053.8	\$ 4,452.2	\$ 4,162.6
Cost of products sold	6,707.7	6,732.5	4,319.4	3,706.2	3,474.7
Depreciation and amortization	540.0	495.9	256.3	218.3	191.7
Selling and administrative expense	413.6	387.2	139.3	135.4	126.6
% to net sales	4.9%	4.6%	2.8%	3.0%	3.0%
Provision for restructuring	66.6	39.8	102.7	114.6	
Gain on sale of assets	(38.1)	(23.8)	(8.4)	(6.7)	(.7)
Interest expense, net of interest income	339.9	305.8	136.1	91.6	79.7
Translation and exchange adjustments	7.9	(36.5)	(1.1)	10.1	10.8
Income before income taxes					
and cumulative effect of accounting changes	457.0	431.0	109.5	182.7	279.8
% to net sales	5.4%	5.2%	2.2%	4.1%	6.7%
Provision for income taxes	147.7	134.4	24.9	55.6	97.4
Minority interests, net of equity earnings	(7.7)	(12.6)	(9.7)	3.9	(1.5)
Net income before cumulative effect of accounting changes	301.6	284.0	74.9	131.0	180.9
% to net sales	3.6%	3.4%	1.5%	2.9%	4.3%
Cumulative effect of accounting changes (1)	(7.6)				(81.8)
Net income (2)	294.0	284.0	74.9	131.0	99.1
Preferred stock dividends	23.4	19.8			
Net income available to common shareholders	\$ 270.6	\$ 264.2	\$ 74.9	\$ 131.0	\$ 99.1
Return on average shareholders' equity (3)	8.3%	11.3%	5.3%	10.0%	8.3%
Financial Position at December 31					
Working capital	(\$ 902.1)	(\$ 370.6)	\$ 429.9	\$ 122.6	\$ 43.8
Total assets	12,305.7	12,590.2	5,051.7	4,781.3	4,236.3
Short-term debt plus current long-term debt maturities	1,784.7	1,154.3	608.1	735.8	474.8
Long-term debt	3,301.4	3,923.5	1,490.1	1,089.5	891.5
Total debt to total capitalization	56.1%	56.4%	56.2%	55.3%	50.1%
Minority interests	282.8	243.8	118.6	75.4	53.7
Shareholders' equity	3,529.2	3,563.3	1,461.2	1,365.2	1,251.8
Common Share Data (dollars per share)					
Earnings per average common share					
Basic - before cumulative effect of accounting change	\$ 2.17	\$ 2.16	\$.83	\$ 1.47	\$ 2.08
after cumulative effect of accounting change	2.11				1.14
Diluted -before cumulative effect of accounting change	2.15	2.14	.83	1.46	2.03
after cumulative effect of accounting change	2.10				1.11
Cash Dividends	1.00	1.00			
Market price on December 31	50.13	54.38	41.75	37.75	41.88
Book value (based on year-end outstanding shares plus assumed conversion of preference shares)	25.26	25.50	16.13	15.27	14.09
Number of shares outstanding at year-end	128.4	128.4	90.6	89.4	88.8
Average shares outstanding					
Basic	128.4	122.5	90.2	89.1	87.1
Diluted	140.3	132.4	90.6	89.9	89.2
Shareholders (on record)	5,763	5,736	5,976	6,011	6,168
Other Statistics					
Capital expenditures	\$ 514.8	\$ 631.2	\$ 433.5	\$ 439.8	\$ 271.3
Number of Employees	40,985	44,611	20,409	22,373	21,254
Actual preferred shares outstanding	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 and SFAS No's 106, 109 and 112 in 1993.

(2) Figures for 1997, 1996, 1995 and 1994 include after-tax adjustments for restructuring, \$43.3 or \$.34 per basic share and \$.31 per diluted share, \$31.7 or \$.26 per basic share and \$.24 per diluted share, \$67.0 or \$.74 per basic and diluted share and \$73.2 or \$.82 per basic share and \$.81 per diluted share, respectively.

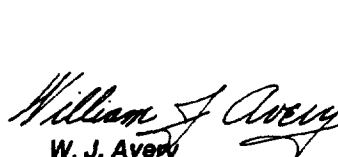
(3) Excluding the adjustments for restructuring and the cumulative effect of accounting changes, the return on average shareholders' equity in 1997, 1996, 1995, 1994 and 1993 would have been 9.7%, 12.6%, 10.0%, 15.6% and 15.1%, respectively.

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

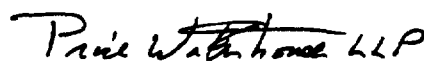

A. W. Rutherford
Executive Vice President
and Chief Financial Officer

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 26 of this report, present fairly, in all material respects, the financial position of Crown Cork & Seal Company, Inc. and its subsidiaries at December 31, 1997 and 1996, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1997, 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 our audits provide a reasonable basis for the opinion expressed above.


Price Waterhouse LLP
Thirty South Seventeenth Street
Philadelphia, Pennsylvania 19103
March 16, 1998

Management's Discussion and Analysis

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

INTRODUCTION

This discussion summarizes the significant factors affecting the results of operations and financial position of Crown Cork & Seal Company, Inc. (the "Company") during the three-year period ended December 31, 1997. This discussion should be read in conjunction with the Letter to Shareholders and the Consolidated Financial Statements included in this annual report. References to earnings per share are on a diluted basis only.

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, pretax income, net income and earnings per share) for 1997, 1996 and 1995 were impacted by restructuring charges or accounting changes. These items are summarized below:

RESTRUCTURING

Pretax income was charged for \$66.6 (\$43.3 after taxes or \$.31 per share), \$39.8 (\$31.7 after taxes or \$.24 per share) and \$102.7 (\$67.0 after taxes or \$.74 per share), in 1997, 1996 and 1995, respectively.

Further information concerning the details of the restructuring plans, including a reconciliation of the restructuring accrual is included in Note K to the Consolidated Financial Statements and under Provision for Restructuring 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 \$7.6 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

NET SALES

Net sales during 1997 were \$8,494.6, an increase of \$162.7 or 2.0% versus 1996 net sales of \$8,331.9. Net sales during 1995 were \$5,053.8. Sales from domestic operations increased 2.0% in 1997 compared with a 1.5% decrease in 1996. Foreign sales increased 1.9% in 1997 following a 198.3% increase in 1996. Domestic sales accounted for 40.0% of consolidated net sales in 1997, 39.9% in 1996 and 66.8% in 1995.

DIVISION	Net Sales			% Increase/ (Decrease)	
	1997	1996	1995	1997/1996	1996/1995
Americas	\$3,729.3	\$3,625.9	\$3,903.8	2.9	(7.1)
Europe	4,193.0	4,165.9	914.3	.7	355.6
Asia-Pacific ..	368.5	376.2	151.9	(2.0)	147.7
Other	203.8	163.9	83.8	24.3	95.6
	<u>\$8,494.6</u>	<u>\$8,331.9</u>	<u>\$5,053.8</u>	2.0	64.9

The increase in 1997 Americas Division net sales is a result of (i) sales unit volume increases of aerosol cans, food cans, beverage cans and beverage ends, (ii) increased sales unit volumes of single-serve PET beverage bottles, plastic beverage closures and beverage preforms and (iii) initial sales volumes at the Company's new beverage can and end plants in Brazil; offsetting (i) decreased raw material prices which resulted in decreased selling prices, primarily in PET bottles and aluminum cans and ends, (ii) sales unit volume decreases of 2 liter PET beverage bottles and (iii) sluggish demand for beverage cans in Mexico and Argentina. The decrease in 1996 Americas Division net sales was a result of (i) lower raw material prices which were passed on to customers in the form of lower selling prices, (ii) a seven week work stoppage at eight plants and (iii) weak economic conditions in Argentina and Brazil; partially offset by (i) the inclusion of Anchor Hocking Packaging acquired as part of the CMB transaction and (ii) sales unit volume increases of aluminum beverage ends, food cans, aerosol cans and plastic closures. U.S. sales accounted for approximately 82.2% of division net sales in 1997, 84.2% in 1996 and 85.4% in 1995.

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, (ii) lower PET resin costs passed on to customers in the form of lower selling prices, (iii) ongoing restructuring efforts, including the elimination of products with negative contribution and (iv) sales unit volume decreases of food and beverage cans. Food can sales unit volumes were soft in Greece due to a spring frost which damaged the peach crop and in Italy due to early season rains which limited the tomato yield. Beverage can sales unit volumes declined due to poor summer weather in some areas and restructuring efforts which restricted output in the Benelux region. Pricing remained very competitive across all product lines. The increase in 1996 European Division net sales was due to the acquisition of CMB.

Management's Discussion and Analysis

Net sales in 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 approximately \$25, (ii) excess beverage can capacity and aggressive competition which continue to erode selling prices in China, (iii) reduced demand in some areas as a result of tight customer liquidity due to the regional currency devaluation and (iv) the closure of seven 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 in China, Thailand, Singapore and Vietnam and (b) food cans in Thailand. The increase in 1996 Asia-Pacific Division net sales was a result of (i) the acquisition of CMB and (ii) increased sales unit volumes of beverage cans at company joint ventures in China.

Net sales for Other operating units increased in 1997 as a result of the acquisition of Golden Aluminum Company ("GAC"), partially offset by the divestiture of the Crown-Simplimatic Machinery operations in May 1997. The increase in Other net sales in 1996 was a result of the Simplimatic Machinery operations acquired as part of the CMB transaction.

COST OF PRODUCTS SOLD

Cost of products sold, excluding depreciation and amortization for 1997 was \$6,707.7; a .4% decrease from \$6,732.5 in 1996, following increases of 55.9% and 16.5% in 1996 and 1995, respectively. The decrease in 1997 cost of products sold is attributable to the appreciation of the U.S. dollar against most European and Southeast Asian currencies and decreased raw material prices, principally aluminum and PET resin offsetting increased sales unit volumes in many product lines. The increase in 1996 cost of products sold was directly attributable to the increased net sales level in 1996 partially offset by decreased raw material prices. The increase in 1995 cost of products sold was primarily a result of increased aluminum and PET resin prices and increased sales unit volumes of (i) PET beverage bottles in the U.S. and Europe and (ii) aluminum beverage cans and ends in South America, the Middle East and China.

As a percentage of net sales, cost of products sold was 79.0% in 1997 as compared to 80.8% in 1996 and 85.5% in 1995.

SELLING AND ADMINISTRATIVE

Selling and administrative expenses for 1997 were \$413.6, an increase of 6.8% over 1996 compared to increases of 178.0% for 1996 and 2.9% for 1995. 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. The large increase in 1996 is directly attributable to the acquisition of CMB whose general and administrative activities are highly decentralized and which operates many business units in countries in which social costs are very high. As a percentage of net sales, selling and administrative expenses were 4.9% in 1997, 4.6% in 1996 and 2.8% in 1995.

OPERATING INCOME

The Company views operating income as the principal measure of performance before interest costs and other non-operating expenses. Operating income, after restructuring charges, was \$766.7, \$676.5 and \$236.1 in 1997, 1996 and 1995, respectively. Operating income of \$833.3 in 1997, before the restructuring charge of \$66.6, was \$117.0 or 16.3% greater than in 1996. Operating income of \$716.3 in 1996, before the restructuring charge of \$39.8, was \$377.5 or 111.4% greater than in 1995. Operating income, before restructuring, as a percentage of net sales was 9.8% in 1997 as compared to 8.6% in 1996 and 6.7% in 1995.

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

DIVISION	Operating Income			% Increase/ (Decrease)	
	1997	1996	1995	1997/1996	1996/1995
Americas	\$259.5	\$200.3	\$227.1	29.6	(11.8)
Europe	558.7	490.0	70.7	14.0	593.1
Asia-Pacific...	6.3	10.7	31.0	(41.1)	(65.5)
Other	8.8	15.3	10.0	(42.5)	53.0
	<u>\$833.3</u>	<u>\$716.3</u>	<u>\$338.8</u>	16.3	111.4

Operating income in the Americas Division was 7.0% of net sales in 1997 versus 5.5% in 1996 and 5.8% in 1995. The increase in 1997 operating margins is due to (i) increased sales unit volumes of beverage cans, beverage ends, aerosol cans, food cans, plastic beverage closures, single-serve PET beverage bottles and beverage preforms in the U.S. and Canada, (ii) increased manufacturing efficiencies in most U.S. and Canadian plants due to the completion of the 202 diameter conversion programs in 1996 and other cost improvement programs initiated in recent years and (iii) the start-up 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 decrease in 1996 operating margins was due to: (i) continued pricing pressures in both metal and plastic beverage containers, (ii) a seven week work stoppage at eight plants; (iii) lower sales unit volumes of PET bottles and (iv) weaker economic conditions in Argentina and Brazil, partially

Management's Discussion and Analysis

offset by: (i) the benefits accruing from the restructuring programs initiated in the U.S. in 1995 and 1994, (ii) sales unit volume increases in aluminum beverage ends, food cans, aerosol cans and plastic closures, (iii) increased sales unit volumes and improved productivity in Canada and Mexico and (iv) the inclusion of Anchor Hocking Packaging, acquired as part of the CMB transaction. The Company's suppliers of aluminum can and end sheet implemented a new pricing structure during 1995 which, by formula, is directly tied to the price of ingot on the London Metal Exchange ("LME"). The formula takes the LME spot price of aluminum ingot and adds other costs to convert and transport aluminum, thereby effectively transferring the volatility in the commodity markets to the Company. This pricing formula remained in effect during 1997. During 1997, the Company 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 13.3% as a percentage of net sales in 1997 compared to 11.8% in 1996 and 7.7% in 1995. 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) the appreciation of the U.S. dollar against most European currencies 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, (iii) competitive pricing pressure on food cans in France and Italy and (iv) decreased sales unit volumes of beverage cans and ends. The increase in operating income in 1996 is directly attributable to the addition of CMB operations, primarily its food, beverage and aerosol can businesses. Operating margins for the Company's existing facilities in Europe were lower than 1995 levels due primarily to competitive pressures resulting in reduced volumes and prices for metal and plastic packaging. Comparable operating margins for acquired CMB operations were ahead of 1995 levels due to (i) sales unit volume gains in food, beverage and aerosol cans and (ii) cost reduction programs in which the Company began streamlining (a) inefficient plants, (b) excess administrative overheads and (c) negative contribution products. Partially offsetting these gains were (i) increased prices for tinplate and (ii) volume erosion and pricing pressures from soft markets in specialty packaging and plastics.

Operating income in the Asia-Pacific Division was 1.7% of net sales in 1997 versus 2.8% in 1996 and 20.4% in 1995. The decrease in 1997 operating margins is due to (i) reduced beverage can pricing throughout the region, (ii) the appreciation of the U.S. dollar against most Southeast Asian currencies, (iii) weak demand for food closures in China and (iv) lower sales unit volumes of three-piece cans in Malaysia; offsetting (i) strong sales unit volumes of beverage cans in Singapore, Malaysia and Thailand, (ii) strong sales unit volumes of food cans in Thailand and (iii) the benefits accruing to the Company from the closure of seven plants since the second quarter of 1996. The decrease in 1996 operating margins was due primarily to the addition of CMB operations as excess beverage can capacity and competitive pricing has significantly eroded profits in China. Other factors affecting operating margins were (i) lower sales unit volumes and competitive pricing in Malaysia (ii) competitive beverage can pricing in Singapore, (iii) sales unit volume declines in three-piece cans in Singapore and (iv) new plant start-ups in China, Singapore and Vietnam; partially offset by (i) strong beverage and food can sales unit volumes in Thailand and (ii) increased efficiencies in Shanghai.

Operating income from Other operating units was 4.3% of net sales in 1997 versus 9.3% in 1996 and 11.9% in 1995. Operating income decreased in 1997 as a result of (i) start-up losses at GAC which was acquired in March 1997 and (ii) the sale of the Company's Crown-Simplimatic Machinery operations. The increase in 1996 operating income was a result of the Simplimatic Machinery operations acquired as part of the CMB transaction. The decrease in 1996 operating income as a percentage to net sales reflects the lower margins earned on Simplimatic sales compared to margins earned on tool shop and other operating unit sales.

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 million included \$90 million in cash and \$15 million 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 \$38.1, were realized from the sales of the machinery operations and surplus properties in 1997 as compared to gains of \$23.8 in 1996.

NET INTEREST EXPENSE/INCOME

Net interest expense was \$339.9 in 1997, an increase of \$34.1 when compared to 1996 net interest expense of \$305.8. Net interest expense was \$136.1 in 1995. 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

Management's Discussion and Analysis

in 1996 and (ii) cash requirements for restructuring programs. The increase in 1996 net interest expense is directly attributable to borrowings which funded the acquisition of CMB. Further information regarding acquisitions is found in Note H to the Consolidated Financial Statements, while information specific to Company financing is presented in the Liquidity and Capital Resources section of this discussion and Notes L and M to the Consolidated Financial Statements.

FOREIGN EXCHANGE

Unfavorable foreign exchange adjustments of \$7.9 in 1997 resulted primarily from the remeasurement of the Company's operations in highly inflationary economies. Favorable foreign exchange adjustments of \$36.5 and \$1.1 were recorded in 1996 and 1995, respectively. During 1996, the Company recorded a foreign exchange gain of \$42.1 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 32.3%, 31.2% and 22.7% in 1997, 1996 and 1995, respectively. The effective rate is lower than the U.S. statutory rate of 35% as a result of lower effective rates in non-U.S. operations and the continuing re-evaluation of reserve and valuation allowance requirements; partially offset by non-deductible 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 Q to the Consolidated Financial Statements.

MINORITY INTERESTS, NET OF EQUITY EARNINGS

Minority interests share of net income was \$9.8, \$5.4 and \$13.6 in 1997, 1996, and 1995, respectively. The increase in minority interests in 1997 is due primarily to increased profits in Brazil, Greece, Singapore and Thailand and lower losses in South Africa.

Equity in earnings/(losses) of affiliates was \$2.1, (\$7.2) and \$3.9 in 1997, 1996 and 1995, respectively. The increase in equity earnings in 1997 primarily relates to improved earnings in the Company's non-consolidated affiliates in Brazil, Mexico and Morocco and lower losses in Korea.

NET INCOME AND EARNINGS PER SHARE

Net income for 1997, excluding the effect of an accounting change, was \$278.2 compared with \$264.2 for 1996 and \$74.9 in 1995. Diluted earnings per share for 1997 was \$2.15 compared with \$2.14 and \$.83 in 1996 and 1995, respectively. Excluding the provision for restructuring,

1997 net income increased 8.7% to \$321.5 and 1997 earnings per share increased 3.4% to \$2.46. Excluding the provision for restructuring, 1996 net income increased 108.5% to \$295.9 and 1996 earnings per share increased 51.6% to \$2.38 compared to 1995 while 1995 decreased 30.5% and 30.8%, respectively compared to 1994. The sum of per share earnings by quarter does not equal earnings per share for the years ended December 31, 1997, 1996 and 1995 due to the effect of shares issued during those respective years.

INDUSTRY SEGMENT PERFORMANCE

This section presents individual segment results for the last three years. The after-tax charge of \$43.3 or \$.31 per share related to the 1997 restructuring charge is included as an after-tax charge in the Metal Packaging segment ("Metals") of \$7.4 or \$.05 per share and an after-tax charge of \$35.9 or \$.26 per share in the Plastics Packaging segment ("Plastics") and is excluded in making comparisons to 1997 results. The after-tax charge of \$31.7 or \$.24 per share related to 1996 restructuring is included in Metals and is excluded in making comparisons to 1996 results. The after-tax charge of \$67.0 or \$.74 per share related to the 1995 restructuring charge is included as an after-tax charge in Metals of \$60.1 or \$.66 per share and an after-tax charge of \$6.9 or \$.08 per share in Plastics and is excluded in making comparisons to 1995 results.

Net sales for Metals in 1997 were \$6,940.9, an increase of 4.9% compared to 1996 net sales of \$6,619.7. Net sales in 1995 were \$3,811.1. Metals sales in 1997 increased over 1996 due to (i) the consolidation of CMB activity for the full year versus only 45 weeks in 1996; (ii) sales unit volume increases in all product lines in the U.S. and (iii) initial sales volumes at the Company's new beverage can and end plants in Brazil; offsetting (i) the effect of the appreciation of the U.S. dollar against most European and Asian currencies, (ii) decreased aluminum prices which resulted in lower selling prices for beverage cans and ends and (iii) European sales unit volume decreases in food and beverage cans. Metals sales in 1996 increased over 1995 due to the CMB acquisition, partially offset by decreased aluminum prices which were passed on to customers in the form of lower selling prices.

Metals operating income in 1997 was \$635.6, before restructuring charges of \$11.4, or 9.2% of net sales compared to 1996 operating income of \$542.8 or 8.2% of net sales, before restructuring charges of \$39.8. Operating income in 1995 was \$253.6 or 6.7% of net sales, before restructuring charges of \$94.4. Metals operating income increased in 1997 over 1996 due to (i) the consolidation of CMB activity for the full year versus only 45 weeks in 1996, (ii) sales unit volume increases in all product lines in the U.S., (iii) increased manufacturing efficiencies in the

Management's Discussion and Analysis

U.S. and Canada and (iv) cost reduction programs initiated in Europe and Asia by the Company upon the acquisition of CMB. The increase in Metals operating income in 1996 was directly attributable to the European food, beverage and aerosol businesses acquired with CMB and increased margins in the North American food and beverage businesses due to improved manufacturing efficiencies, a result of prior restructuring and capital expenditure programs.

Net sales for Plastics decreased \$158.5 or 9.3% in 1997 from \$1,712.2 in 1996. The decrease in Plastics sales in 1997 is due to (i) decreased PET resin prices which resulted in lower selling prices and (ii) the effect of the appreciation of the U.S. dollar against most European and Asian currencies; offsetting increased unit sales in PET beverage bottles and plastics beverage closures in the U.S., Europe and Asia. The increase in 1996 Plastics net sales is due entirely to Plastics businesses acquired with the CMB transaction partially offset by decreased PET prices which were passed on to customers in the form of lower selling prices.

Plastics operating income in 1997 was \$197.7 or 12.7% of net sales before restructuring charges of \$55.2, as compared to 1996 operating income of \$173.5 or 10.1% of net sales. Operating income in 1995 was \$85.2 or 6.9% of net sales, before restructuring charges of \$8.3. The increase in Plastics operating income in 1997 is due to (i) the consolidation of CMB activity for the full year versus only 45 weeks in 1996, (ii) restructuring programs initiated in the U.S. and Europe and (iii) sales unit volume increases in the U.S., Europe and Asia in PET beverage bottles and plastic beverage closures. The increase in Plastics operating income in 1996 was due to the CMB acquisition as profits in all sectors of Plastics, excluding PET beverage bottles, offset increasing price competition in PET beverage bottles. Additionally, as a percentage to net sales, Plastics operating income increased in 1996 due to the effect of PET resin price decreases.

FINANCIAL POSITION

LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents totaled \$205.6 at December 31, 1997 compared to \$160.4 and \$68.1 at December 31, 1996 and 1995, respectively. The Company's primary sources of cash in 1997 consisted of (i) funds provided from operations \$402.1; (ii) the sale of assets and businesses \$133.3; (iii) proceeds from long-term borrowings \$123.7; and (iv) the net change in short-term debt \$359.5. The Company's primary uses of cash in 1997 consisted of (i) capital expenditures of \$514.8; (ii) payments of long-term debt \$268.5; and (iii) dividends paid \$151.8. The decrease in funds provided from operations in 1997 versus 1996 is a result of a portion of

the 1996 seasonal buildup of CMB working capital occurring before the acquisition date.

The Company funds its working capital requirements on a short-term basis primarily through issuances of commercial paper. At December 31, 1997 the commercial paper program was supported by a \$2,500 multi-currency credit agreement which was formalized in February 1997, maturing in February 2002 with interest at market rates. The Company's use of the facility is not restricted. At December 31, 1997, \$355.2 was drawn against this facility. Based on the Company's intention and ability to maintain its credit facility beyond 1998 and 1997, respectively, \$700 of commercial paper borrowings was classified as long-term at both December 31, 1997 and 1996. There was \$1,248.0 and \$932.1 in commercial paper outstanding at December 31, 1997 and 1996, respectively.

On December 1, 1995, the Company entered into a Revolving Credit and Term Loan Agreement (Credit Agreement) with a syndicate of financial institutions. Pursuant to the Credit Agreement, the lenders made available to the Company French Francs (FRF) 13,700 in a multi-currency revolving credit facility to fund the cash portion of the consideration to be paid in connection with the Company's acquisition of CarnaudMetalbox and for general corporate purposes. Borrowings under the facility were permitted in FRF, U.S. Dollars and British Pound Sterling and bear interest at variable market rates. A total of FRF 9,100 (approximately \$1,800) was drawn on February 22, 1996 to fund the purchase of shares from those CMB shareholders electing cash (approximately 40.1 million CMB shares at FRF 225 per share). At December 31, 1996, borrowings of \$493.1 were outstanding under this credit facility.

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 Baa1 by Moody's Investor Service and BBB by Standard & Poor's Corporation.

Management's Discussion and Analysis

The Company's ratio of total debt (net of cash and cash equivalents) to total capitalization was 56.1%, 56.4% and 56.2% at December 31, 1997, 1996 and 1995, respectively. Total capitalization is defined by the Company as total debt, minority interests and shareholders' equity. The increase in the Company's total debt in recent years is due to acquisition activity, particularly the 1996 acquisition of CMB and the significant capital expenditure program which the Company has committed to in recent years. As of December 31, 1997, \$399.3 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.

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 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, 1997. Fair values included herein have been determined based on quoted market prices. Further information specific to Company financing is presented in Notes L and M to the Consolidated Financial Statements.

The table below provides information as of December 31, 1997 about the Company's forward currency exchange contracts. The majority of the contracts expire in 1998.

Buy/Sell	Contract Amount	Average Contractual Exchange Rate
GBP/FRF	\$ 570	9.79
FRF/GBP	406	9.74
USD/GBP	372	1.65
FRF/USD	367	5.80
DEM/GBP	207	2.85
FRF/DEM	162	3.36
USD/FRF	159	5.82
SGD/USD	125	1.62
USD/BEF	103	36.54

The Company has an additional \$431 in a number of smaller contracts to purchase or sell various other currencies, principally European, as of December 31, 1997.

The aggregate cost to settle all contracts, which is not material to any individual contract, was \$9.1 at December 31, 1997. Total forward exchange contracts outstanding as of December 31, 1996 were \$2,311.

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, 1997. 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.

Debt	Year of Maturity					
	1998	1999	2000	2001	2002	Thereafter
Fixed rate	\$137.9	\$155.6	\$42.4	\$95.1	\$35.0	\$1,899.5
Average interest rate	6.5%	7.4%	8.1%	8.4%	8.1%	7.6%
Variable rate (1)	\$1,646.8	\$14.6	\$117.6	\$113.1	\$713.1	\$115.4
Average interest rate	5.6%	7.1%	7.6%	4.8%	5.8%	7.6%
Interest rate swaps:						
Fixed to variable	\$254.3		\$100.0	\$93.9		\$105.0
Average pay rate	3.7%		7.7%	4.4%		7.7%
Average receive rate	6.7%		7.5%	6.9%		7.0%

(1) \$700.0 of commercial paper borrowings due in 1998 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.

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

Management's Discussion and Analysis

ACQUISITION OF CARNAUDMETALBOX

On February 26, 1996, the Company completed settlement of its previously announced Exchange Offer (the "Offer") to acquire all of the outstanding shares of common stock, par value FRF 10 per share, of CMB, a French société anonyme. Under the terms of the Offer, the Company offered to exchange or purchase each CMB share validly tendered in the Offer for, at the election of the holder, either (1) 1.086 Units, each Unit consisting of .75 shares of Crown common stock, par value \$5.00 per share and .25 shares of Crown 4.5% Convertible Preferred Stock, par value \$41.8875 per share (acquisition preferred) or (2) FRF 225 in cash. The Offer was made pursuant to the terms of the Exchange Offer Agreement dated May 22, 1995, as amended, between the Company and Compagnie Générale d'Industrie et de Participations (CGIP), a French société anonyme and the principal shareholder of CMB. A description of the Exchange Offer Agreement was previously reported in the Company's Current Report on Form 8-K dated May 22, 1995 and the Company's Proxy Statement/Prospectus, dated November 14, 1995 forming a part of the Company's Amendment No. 1 to its Registration Statement on Form S-4 filed with the Securities and Exchange Commission on November 14, 1995.

85,932,200 CMB shares, representing approximately 98.7% of the outstanding CMB shares, were validly tendered into the Offer. Of the CMB shares tendered, 40,125,325 were tendered for cash (aggregating approximately FRF 9,000 or approximately \$1,800) and 45,797,825 were exchanged for Units (resulting in the Company issuing 37,300,818 shares of common stock and 12,432,622 shares of acquisition preferred). Pursuant to the terms of the Exchange Offer Agreement, CGIP exchanged its CMB shares for Units and received 21,330,903 shares of common stock and 7,110,300 shares of acquisition preferred. The Company acquired the remaining outstanding shares of CMB during the second quarter of 1996. On October 24, 1996, the Company announced that CGIP had sold a portion of its investment in the Company to a group of underwriters. CGIP sold 10,637,500 shares of the Company's common stock and 3,450,000 shares of the Company's 4.5% convertible preferred stock, resulting in total gross proceeds to CGIP of \$644.6 million, before underwriting discounts, commissions and expenses. Upon completion of the offering, CGIP owned common and convertible preferred stock representing approximately 10.1% of the Company's voting power versus 19.9% previously. The Company did not receive any of the proceeds from these secondary offerings.

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 CGIP. The

repurchased shares represented approximately 5.3% of the Company's then outstanding voting securities and leaves CGIP with 4.99% voting power in the Company. The repurchased shares include all of CGIP's acquisition preferred position which represented approximately 30% of the then outstanding shares of acquisition preferred. The transaction includes an agreement to terminate the Shareholders Agreement dated February 22, 1996 between the Company and CGIP. Among other changes, CGIP will no longer retain the right to designate Company directors. The transaction value of \$369 was financed through an increase in short-term indebtedness.

PROVISION FOR RESTRUCTURING

During 1997, the Company provided \$66.6 (\$43.3 after taxes 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. The Company anticipates that the restructuring actions referred to above, when complete will generate approximately \$20.0 in after-tax cost savings on an annualized basis.

The Company has made an assessment of the restructuring and exit costs to be incurred relative to the acquisition of CMB. Affected by the plan of restructuring are forty regional administrative offices and plants to be closed and approximately fifty-two plants to be reorganized. The cost of providing severance pay and benefits for the reduction of approximately 6,500 employees (approximately 5,100 positions eliminated by the end of 1997) is approximately \$257 and is primarily a cash expense. Actual expenditures for severance pay and benefits through December 31, 1997 amounted to approximately \$165. Employees to be terminated include most, if not all, employees at each plant to be closed or reorganized including salaried employees and employees of the respective unions represented at each plant site. The cost associated with the write-down of assets (principally property, plant and equipment) is approximately \$217 and has been reflected as a reduction in the carrying value of the Company's assets. Lease termination and other exit costs, primarily repayments of government grants and subsidies approximates \$60 of the provision and is primarily a cash expense of which approximately \$50 has been expended as of December 31, 1997. Details of the restructuring are also presented in Note K to the Consolidated Financial Statements.

The Company estimates that the plan of restructuring CMB operations when complete, will generate annual cost savings of approximately \$160 (\$105 after-tax) on an

Management's Discussion and Analysis

annualized basis. It is also estimated that capital expenditures of approximately \$100 will be made to expand and upgrade other facilities to minimize the adverse effects of the restructuring on existing business and customer relationships.

During 1996, the Company provided \$39.8 (\$31.7 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. During 1995, the Company recorded a pre-tax restructuring charge of \$102.7 (\$67.0 after taxes or \$.74 per share) to streamline North American operations, improve productivity and to enhance competitiveness. The 1996 and 1995 restructuring plans have been completed.

CAPITAL EXPENDITURES

Consolidated capital expenditures totaled \$514.8 in 1997 as compared with \$631.2 in 1996. Minority partner contributions to consolidated capital expenditures were approximately \$26 and \$88 in 1997 and 1996. During the past five years, capital expenditures totaled \$2,290.6.

Expenditures in the Americas Division totaled \$161 including the completion of the construction of a beverage can plant and a beverage end plant in Brazil, the construction of a beverage can plant in Columbia, and the completion of a two-piece steel food can line in the U.S.

Spending in the European Division for 1997 totaled \$316 as the Company completed the construction of a new beverage can and end plant in South Africa 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 the ongoing restructuring programs and for several easy open food can end lines.

Investments of \$19 were made in the Asia-Pacific Division in 1997. The Company expanded its beverage can and end capacity in Huizhou, China, completed construction of a PET plant in Beijing, China, and modernized food can operations in Thailand.

The Company expects its capital expenditures in 1998 to approximate \$475 including joint-venture partner contributions estimated at approximately \$20. 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 1998 through 2002 are expected to approximate \$2,250, including \$150 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 percent 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 \$4.3 during 1997 and \$6.0 in 1996. The Company's balance sheet reflects estimated gross remediation liabilities of \$39.4 and \$53.6 at December 31, 1997 and 1996, respectively, and estimated recoveries related to indemnification from the sellers of acquired companies and the Company's insurance carriers of \$18.5 and \$16.6 at December 31, 1997 and 1996, respectively.

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

Management's Discussion and Analysis

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 \$3,529.2 at December 31, 1997 as compared with \$3,563.3 at December 31, 1996. The decrease in 1997 equity is due to adjustments for currency translation in non-U.S. subsidiaries of \$167.5, dividends declared on common stock of \$128.4 and the repurchase of 342,414 common shares offset by \$270.6 of earnings in the business and the issuance of 329,406 common shares for various stock purchase and savings plans. The book value of each share of common stock at December 31, 1997 was \$25.26 as compared to \$25.50 at December 31, 1996.

In 1997, the return on average shareholders' equity before restructuring and the 1997 cumulative effect of accounting change was 9.7% as compared to 12.6% in 1996. Including the restructuring charges, but excluding the 1997 cumulative effect of accounting change, the return on average shareholders' equity was 8.5% in 1997 compared to 11.3% in 1996.

The Board of Directors has 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 342,414 shares and 7,401 shares of common stock in 1997 and 1995 for \$17.2 and \$.3, respectively. There were no stock repurchases during 1996.

The Company declared cash dividends totaling \$128.4 and \$128.2 in 1997 and 1996, respectively, representing a quarterly dividend of \$.25 per common share.

Upon the completion of the CMB acquisition, the Company's shareholders authorized the Company to issue up to an additional 380 million shares of its common stock, up to 30 million shares of additional preferred stock ("additional preferred") and up to 50 million shares of acquisition preferred. In connection with the completion of the CMB acquisition, the Company, on February 26, 1996, issued approximately 37.3 million shares of its common stock and 12.4 million shares of its acquisition preferred. Subsequent to the issuance of the acquisition preferred, the number of authorized shares of acquisition preferred was reduced and no further shares of acquisition preferred shall be issued. The acquisition preferred, additional preferred,

and shareholder rights plan are more fully described in Note N to the Consolidated Financial Statements.

During 1996 the Company filed a Registration Statement to register 10 million shares of its common stock for implementation of a Dividend Reinvestment and Stock Purchase Plan ("Plan"). The Plan covers all registered shareholders 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. During 1997 and 1996, 8,105 and 3,527 shares, respectively, of common stock were issued under the Plan.

At December 31, 1997, common shareholders of record numbered 5,763 compared with 5,736 at the end of 1996. Total common shares outstanding were 128,398,543 at December 31, 1997 compared to 128,410,797 at December 31, 1996. Total acquisition preferred shares outstanding were 12,431,793 at December 31, 1997 compared to 12,432,622 at December 31, 1996.

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 1997, the Financial Accounting Standards Board issued Statements of Financial Accounting Standards No. 130, "Reporting Comprehensive Income", No. 131, "Disclosures about Segments of an Enterprise and Related Information" and No. 132, "Employers' Disclosure about Pensions and Other Postretirement Benefits." The Company will adopt these new accounting standards in 1998. Adoption of these accounting standards are for disclosure purposes only and will not have an adverse effect on the Company's financial position, cash flows or results of operations.

YEAR 2000

The Company continues to assess its exposure related to the impact of the Year 2000 date issue. The Year 2000 date issue arises as a result of computer programs being written using two digits (rather than four) to identify a year in a date field. Company programs which have date-sensitive software may recognize a date using "00" as the year 1900 rather than the year 2000, which could result in miscalculations or system failures. The Company's strategic financial and operational systems are being

Management's Discussion and Analysis

reviewed and, where required, detailed plans are being developed and implemented to identify, correct, reprogram and test for Year 2000 compliance. While final cost estimates are not complete, management does not expect these costs will have a material adverse effect on the Company's financial position, cash flows or results of operations. However, the Company may be adversely affected by the Year 2000 date issue if the Company, its suppliers or customers are unable to resolve this issue successfully. Management continues to assess these risks and dedicate the necessary resources in order to reduce exposure to the Company.

FORWARD LOOKING STATEMENTS

Statements included in Management's Discussion and Analysis of Results of Operations and Financial Condition and the discussion of the restructuring plans in Note 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".

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 raw material pricing (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; changes in U.S. or international economic or political conditions, such as, inflation or fluctuations in interest or foreign exchange rates; the costs and other effects of legal and administrative cases and proceedings, settlements and investigations; and changes in labor relations and 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 Results of Operations and Financial Condition 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.
Plastic Bottles	Mono- and multi-layer decorated plastic bottles available in a variety of resins, including clear polypropylene, soft-touch and lightweight foldable bottles.	Food, personal care, pharmaceutical, household and industrial products.
Personal Care	Cases for lipsticks, mascaras and compacts, deodorant sticks & roll-on, plastic bottles, fragrance pumps, caps and collars.	Cosmetics, fragrances and personal care.
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, bead-ers, 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, 1997, the Company operated 247 plants located in 49 countries, employing 40,985 people.

STOCK TRADING INFORMATION

Stock Symbol: **CCK** (Common), **CCK.Pfd** (Preferred)

Stock Exchange Listings: **New York Stock Exchange and Paris Bourse**

CCK
Listed
NYSE

Corporate Headquarters

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

Shareholders 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
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 address: <http://www.fctc.com>

E-Mail address: FCTC@delphi.com

Telecommunications Device for the Hearing Impaired (TDD) :
(210) 222-4955

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

Independent Accountants

Price Waterhouse 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 1997 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 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—STATE OF PENNSYLVANIA



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Pictures on cover by P. Gontier

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