

Sealed Air Corporation Convertibles

Assignment:

1. Please read the excerpt from the Sealed Air Company's 10-Report below, and the 1998 Preferred Stock description in Appendix A. Also obtain the company's 10-year Statement of Cash Flows from Morningstar.net or any other source
2. What was the purpose of the 1998 Preferreds, and what were their key terms?
3. What are the key terms of the 2003 Convertible Bonds? Why do you think the company used this technique to refinance the Preferreds?
4. What options are embedded in the bonds?
5. How would you work out the effective cost of financing using the Convertibles?

From footnote (7) of Sealed Air Corporation's June 30, 2003 10-Q:

(7) Debt

The Company allowed its \$525.0 million principal revolving credit facility to expire in accordance with its terms on March 30, 2003. Such facility had not been replaced as of June 30, 2003.

On April 14, 2003, the Company issued \$300.0 million aggregate principal amount of 5.375% senior notes due April 2008 (the "5.375% Senior Notes") in transactions exempt from registration under Rule 144A and Regulation S under the Securities Act of 1933, as amended (the "Securities Act"). Accrued interest on these senior notes is payable semi-annually in arrears on April 15 and October 15 of each year, commencing on October 15, 2003. The net proceeds from the issuance of these senior notes after deducting the initial purchasers' discount, unamortized bond discount and other offering expenses were \$296.0 million. The carrying value of these notes at June 30, 2003 was \$297.7 million, net of unamortized discount and an adjustment to record a decrease in the fair value of the 5.375% Senior Notes due to changes in interest rates of \$0.8 million related to certain interest rate swaps the Company has entered into with respect to these notes (see Note 8).

In July 2003, the Company issued a total of \$1,281.25 million of senior notes in transactions that were exempt from registration under Rule 144A and other available exemptions under the Securities Act. This debt is not included in the Company's condensed consolidated balance sheet at June 30, 2003. On July 18, 2003, the net proceeds from these offerings and additional cash on hand were used to redeem the Company's Series A convertible preferred stock at the redemption price of \$51.00 per share for which the Company used \$1,298.1 million of cash plus an amount equal to dividends accrued from July 1, 2003 through July 17, 2003 for which the Company used \$2.4 million of cash. The offerings included the following:

- \$400.0 million aggregate principal amount of 5.625% senior notes due July 15, 2013 (the "5.625% Senior Notes"). Accrued interest on the 5.625% Senior Notes is payable semi-annually in arrears on January 15 and July 15 of each year, commencing on January 15, 2004. The net proceeds from this issuance, after deducting the initial purchasers' discount and unamortized bond discount but before other offering expenses, were \$396.1 million.

- \$450.0 million aggregate principal amount of 6.875% senior notes due July 15, 2033 (the “6.875% Senior Notes”). Accrued interest on the 6.875% Senior Notes is payable semi-annually in arrears on January 15 and July 15 of each year, commencing on January 15, 2004. The net proceeds from this issuance, after deducting the initial purchasers’ discount and unamortized bond discount but before other offering expenses, were \$444.5 million.
- \$431.25 million aggregate principal amount of 3% convertible senior notes due June 30, 2033 (the “3% Convertible Senior Notes”), after giving effect to the initial purchasers’ exercise of an option on July 16, 2003 to purchase additional 3% Convertible Senior Notes. Accrued interest on the 3% Convertible Senior Notes is payable semi-annually in arrears on June 30 and December 30 of each year, commencing on December 30, 2003. The net proceeds from this issuance, after deducting the initial purchasers’ discount but before other offering expenses were, \$422.1 million.

Holders of the 3% Convertible Senior Notes may convert those notes into shares of the Company’s common stock at a conversion rate of 14.2857 shares per \$1,000 principal amount of the notes (which is equal to a conversion price of \$70.00 per share), subject to anti-dilution adjustments in certain circumstances (the “Conversion Rate”), before the close of business on June 30, 2033 only under the following circumstances: (1) during any calendar quarter commencing after September 30, 2003, if the closing sale price of the Company’s common stock exceeds 120% of the conversion price for at least 20 trading days in the 30 consecutive trading days ending on the last trading day of the preceding calendar quarter; (2) during any period in which (i) the long-term credit rating assigned to the notes by Standard & Poor’s Rating Services, a division of the McGraw-Hill Companies (“Standard and Poor’s”) or Moody’s Investors Services, Inc. (“Moody’s”) is lower than BB+ or Ba2, respectively, (ii) either Standard & Poor’s or Moody’s no longer rates the notes or has withdrawn or suspended such rating, or (iii) the notes are not assigned a rating by both Standard & Poor’s and Moody’s; (3) during the five business day period immediately after any five consecutive trading day period in which the trading price per \$1,000 principal amount of notes for each day of that period was less than 98% of the product of the closing sale price of the Company’s common stock and the Conversion Rate; (4) if the notes have been called for redemption; or (5) upon the occurrence of certain corporate events.

The Company has the option to redeem the 3% Convertible Senior Notes beginning July 2, 2007 at a price equal to 101.286% of their aggregate principal amount declining ratably to 100% of their aggregate principal amount on June 30, 2010.

The holders of the 3% Convertible Senior Notes have the option to require the Company to repurchase the 3% Convertible Senior Notes on June 30 of 2010, 2013, 2018, 2023 and 2028 or upon the occurrence of a fundamental change in or a termination of trading of the Company’s common stock at a price equal to 100% of their principal amount, plus accrued and unpaid interest.

In connection with the issuance of the 3% Convertible Senior Notes, the Company agreed with the initial purchasers of such notes to file a registration statement with the Securities and Exchange Commission, on or before October 29, 2003, covering resale of the 6,160,708 shares of the Company’s common stock issuable upon conversion of such notes.

Each issue of the Company’s outstanding senior notes and the Company’s outstanding Euro Notes impose certain limitations on the Company’s operations and those of certain of the Company’s subsidiaries, including limitations on liens, sale and leaseback transactions and certain acquisitions and dispositions. The Company was in compliance with these limitations at June 30, 2003.

From M, D & A of Sealed Air Corporation's June 30, 2003 10-Q

Recapitalization

On July 1, 2003, the Company issued \$1,225.0 million of senior notes in transactions that were exempt from registration under Rule 144A and other available exemptions under the Securities Act of 1933, as amended (the "Securities Act"). These senior notes consisted of the following:

- \$400.0 million aggregate principal amount of 5.625% senior notes due July 15, 2013 (the "5.625% Senior Notes"). The net proceeds from this issuance, after deducting the initial purchasers' discount and unamortized bond discount but before other offering expenses, were \$396.1 million.
- \$450.0 million aggregate principal amount of 6.875% senior notes due July 15, 2033 (the "6.875% Senior Notes"). The net proceeds from this issuance, after deducting the initial purchasers' discount and unamortized bond discount but before other offering expenses, were \$444.5 million.
- \$375.0 million aggregate principal amount of 3.00% convertible senior notes due June 30, 2033 (the "3% Convertible Senior Notes"). Subsequently, on July 16, 2003, the initial purchasers of the 3% Convertible Senior Notes exercised their option to purchase an additional \$56.25 million of 3% Convertible Senior Notes. The net proceeds from this issuance, after deducting the initial purchasers' discount but before other offering expenses, were \$422.1 million.

On July 18, 2003, the Company used cash of \$1,298.1 million to redeem all their outstanding shares of its Series A convertible preferred stock at their redemption price of \$51.00 per share plus an amount equal to \$2.4 million of dividends accrued on such shares from July 1, 2003 through July 17, 2003. The \$51.00 per share redemption price included a \$1.00 per share premium that such shares were entitled to over their \$50.00 per share redemption value, amounting in the aggregate to \$25.5 million. The \$27.9 million paid for such redemption premium and accrued dividends will be charged against shareholders' equity in the third quarter of 2003 and will reduce net earnings ascribed to common shareholders in the third quarter of 2003.

The following table sets forth as of June 30, 2003:

- the Company's actual capitalization; and
- the Company's capitalization as adjusted to reflect the sale of the senior notes issued on July 1, 2003, the exercise of the initial purchasers' option to purchase additional 3% Convertible Senior Notes on July 16, 2003, and the application of the net proceeds of those offerings, after deducting the initial purchasers' discounts and unamortized bond discounts but before other offering expenses, and a portion of the Company's available cash to redeem on July 18, 2003 all of the Company's outstanding Series A convertible preferred stock and to pay accrued dividends on such shares for the period from July 1, 2003 to July 17, 2003.

The data in this table are derived from the Company's unaudited condensed consolidated financial statements as of June 30, 2003. You should read this table in conjunction with those financial statements and the related notes.

	June 30, 2003	
	Actual	As Adjusted
	(Amounts in millions)	
Cash and cash equivalents (1) (2)	\$ 450.3	\$ 412.4
Short-term borrowings and current portion of long-term debt	\$ 43.5	\$ 43.5
Long-term debt, less current portion:		
Senior Notes and Euro Notes outstanding at June 30, 2003, net of unamortized discount	1,123.3	1,123.3
ANZ Facility and other	56.1	56.1
Subtotal	1,179.4	1,179.4
5.625% Senior Notes, net of unamortized discount	—	398.7
6.875% Senior Notes, net of unamortized discount	—	448.4
3% Convertible Senior Notes, net of unamortized discount	—	431.3
Total long-term debt, less current portion	1,179.4	2,457.8
Series A convertible preferred stock (3)	1,289.5	—
Total shareholders' equity (2) (3) (4)	968.7	957.8
Total debt, convertible preferred stock and shareholders' equity	\$ 3,481.1	\$ 3,459.1

(1) Cash and cash equivalents, as adjusted, reflects the application of \$37.9 million of available cash used in connection with the recapitalization.

(2) Shareholders' equity and cash and cash equivalents were reduced by \$2.4 million of accrued dividends on the Company's Series A convertible preferred stock paid upon redemption for the period from July 1, 2003 to July 17, 2003.

(3) Gives effect to the conversion into common stock of 337,362 shares of Series A convertible preferred stock in July 2003 prior to their redemption date. All of the remaining shares of Series A convertible preferred stock on July 18, 2003 were redeemed at a price of \$51.00 per share. Such conversions increased shareholder's equity and reduced the balance sheet value of the Series A convertible preferred stock by \$16.9 million. Upon redemption, the Series A convertible preferred stock was reduced by its remaining balance sheet value of \$1,272.6 million, reflecting its aggregate redemption value of the \$50.00 per share, and shareholders' equity was reduced by \$25.5 million for the aggregate amount of the redemption premium of \$1.00 per share.

(4) At June 30, 2003, after giving effect to the redemption of the Series A convertible preferred stock, the Company had 84,579,358 shares of common stock issued and outstanding. Such number of shares does not include (i) 6,160,708 shares of common stock issuable upon conversion of the Convertible Senior Notes; (ii) 1,114,647 shares of common stock reserved for issuance at June 30, 2003 under the Company's contingent stock plan and directors' stock plan, (iii) 293,639 shares of common stock reserved for issuance at June 30, 2003 under outstanding stock options; and (iv) 9 million shares reserved for issuance pursuant to the Company's asbestos settlement.

From Joint Proxy/Prospectus dated February 13, 1998

New Sealed Air Preferred Stock

General

Under the New Sealed Air Charter, preferred stock may be issued from time to time in one or more series. Preferred stock will have the powers, designations, preferences and other rights and qualifications, limitations and restrictions stated in the New Sealed Air Charter and otherwise as fixed by the New Sealed Air Board. Except as otherwise fixed by the New Sealed Air Board or as required by law, the New Sealed Air Charter provides that holders of preferred stock of any series are entitled to one vote per share held, are entitled to vote share for share with the holders of New Sealed Air common stock without distinction as to class and are not entitled to vote separately as a class or series of a class. Unless otherwise fixed by the New Sealed Air Board, all series of preferred stock will rank equally and will be identical in all respects. All shares of any one series of preferred stock must be identical with each other in all respects, except that shares of any one series issued at different times may differ as to the dates on which dividends thereon accumulate. The number of shares of preferred stock authorized to be issued may be increased or decreased from time to time by the affirmative vote of the holders of a majority of the stock of New Sealed Air entitled to vote, and the holders of the preferred stock will not be entitled to vote separately as a class or series of a class on any such increase or decrease.

Convertible Preferred Stock

As part of the Recapitalization, Grace stockholders will be issued an aggregate of 36 million shares of voting convertible preferred stock, which will become (with the consummation of the Merger) series A preferred stock of New Sealed Air. The convertible preferred stock's powers, designations, preferences and other rights and qualifications, limitations and restrictions are summarized below.

Dividends

Holders of convertible preferred stock will be entitled to receive a cash dividend at an annual rate of \$2.00 per share, payable quarterly in arrears. Dividends on the convertible preferred stock are fully cumulative, accruing, without interest, from the most recent date on which dividends have been paid, or if none have been paid, from the date of original issuance of the convertible preferred stock.

The convertible preferred stock will have priority as to dividends over New Sealed Air common stock and any other series or class of New Sealed Air preferred stock that ranks junior to it ("Junior Securities"). The convertible preferred stock will rank on a parity with all classes or series of capital stock (other than common stock) of New Sealed Air

that do not by their terms expressly provide that they rank senior or junior to the convertible preferred stock ("Parity Securities").

So long as the convertible preferred stock is outstanding, no dividends (other than dividends payable solely in common stock, other Junior Securities, or warrants or other rights to acquire such common stock or other Junior Securities) may be paid or declared and set apart for payment on, and no purchase, redemption or other acquisition will be made by New Sealed Air of any common stock or other Junior Securities unless and until all accrued and unpaid dividends on the convertible preferred stock, including the full dividend for the current quarterly dividend period, is paid or declared and set apart for payment.

In general, New Sealed Air may not pay dividends on Parity Securities unless it has paid or declared and set apart for payment (or contemporaneously pays or declares and sets apart for payment) all accrued and unpaid dividends on the convertible preferred stock, for all prior dividend payment periods, and New Sealed Air may not pay dividends on the convertible preferred stock unless it has paid or declared and set apart for payment (or contemporaneously pays or declares and sets apart for payment) all accrued and unpaid dividends on Parity Securities, for all prior dividend periods. However, until all accrued dividends in respect of prior dividend payment periods are paid in full on the convertible preferred stock and on all Parity Securities, New Sealed Air may declare and pay dividends on the convertible preferred stock and the Parity Securities, but only if the dividends are declared and paid ratably in proportion to the respective amounts of accrued and unpaid dividends on the convertible preferred stock and the Parity Securities.

New Sealed Air may not, directly or indirectly, purchase or redeem any shares of Parity Securities (except for consideration payable in common stock or other Junior Securities) unless all accrued and unpaid dividends on the convertible preferred stock for all prior dividend periods have been paid or declared and set apart for payment.

If New Sealed Air issues any series or class of stock that ranks senior to the convertible preferred stock ("Senior Securities"), New Sealed Air may not pay or declare and set apart for payment any dividends on the convertible preferred stock unless and until all accrued and unpaid dividends on the Senior Securities, including the full dividends for the then current dividend period, have been paid or declared and set apart for payment (except to the extent allowed by the terms of the Senior Securities).

Liquidation Rights

The liquidation value of the convertible preferred stock, in the case of a voluntary or involuntary liquidation, dissolution or winding-up of New Sealed Air, is \$50.00 per share, plus an amount equal to the accrued and unpaid dividends, whether or not declared, to (but not including) the payment date (the "Liquidation Value").

If there is a voluntary or involuntary liquidation, dissolution or winding up of New Sealed Air, holders of convertible preferred stock will not be entitled to receive the

Liquidation Value of their shares until the liquidation preference of all Senior Securities, if any, and any creditors of New Sealed Air have been paid in full. Subject to the payment in full, or provision for the payment in full, of all claims of creditors of New Sealed Air, and the liquidation preference of all Senior Securities, holders of convertible preferred stock will be entitled to receive the Liquidation Value of the convertible preferred stock before any payment or distribution is made to the holders of New Sealed Air common stock or any other Junior Securities. Once payment in full of the Liquidation Value of the convertible preferred stock is made to holders thereof, the holders of convertible preferred stock will not be entitled to any further participation in any distribution of assets of New Sealed Air. The holders of convertible preferred stock and any Parity Securities will be entitled to share ratably, in accordance with the respective liquidation preferences payable on their stock, in any distribution (after payment of all claims of creditors and the liquidation preference on any Senior Securities) that is not sufficient to pay in full the aggregate liquidation preference on both the convertible preferred stock and on any Parity Securities.

Voting Rights

The holders of the convertible preferred stock will be entitled to vote on all matters submitted to a vote of the holders of New Sealed Air common stock, voting together with the holders of New Sealed Air common stock as one class, and will be entitled to notice of any stockholders' meeting in accordance with the New Sealed Air Charter and the New Sealed Air Bylaws. Each share of convertible preferred stock will be entitled to the number of votes equal to the number of shares of New Sealed Air common stock into which such share of convertible preferred stock could be converted on the record date for determining the stockholders entitled to vote.

If dividends payable on the convertible preferred stock are in arrears and unpaid for six quarterly periods, or if New Sealed Air fails to redeem the convertible preferred stock on the twentieth anniversary of the Effective Time, the number of directors serving on the New Sealed Air Board will be increased by two and the holders of shares of convertible preferred stock, voting as a single class with the holders of shares of all other series of preferred stock upon which like voting rights have been conferred and are exercisable, will have the right to vote for the election of the two additional directors to serve on the New Sealed Air Board. The right of the holders of convertible preferred stock and such other series of preferred stock to vote for the election of two directors will, when vested, continue until all dividends in arrears on the convertible preferred stock and such other series of preferred stock have been paid in full or declared and set aside for payment (or the mandatory redemption obligation has been satisfied, as the case may be), at which time the term of office of all directors so elected shall terminate and the number of directors on the New Sealed Air Board will be reduced accordingly.

In addition, for so long as any shares of convertible preferred stock are outstanding, (1) the written consent or affirmative vote of at least two-thirds of the outstanding shares of convertible preferred stock, voting as a single class, will be necessary to amend, alter or repeal any provision of the New Sealed Air Charter in a manner that materially and

adversely affects the preferences, rights or powers of the convertible preferred stock (provided that any such amendment, alteration or repeal that would create, authorize or issue any Junior Securities or Parity Securities, or any security convertible into, or exchangeable or exercisable for, shares of Junior Securities or Parity Securities is deemed not to have any such material adverse effect); (2) the written consent or affirmative vote of at least two-thirds of the outstanding shares of convertible preferred stock and all other series of preferred stock upon which like voting rights have been conferred and are exercisable, voting as a single class regardless of series, will be necessary to create, authorize or issue any Senior Securities, or any security convertible into, or exchangeable or exercisable for, shares of Senior Securities; and (3) the written consent or affirmative vote of a majority of the outstanding shares of convertible preferred stock and all other series of preferred stock upon which like voting rights have been conferred and are exercisable, voting as a single class regardless of series, will be necessary to create, authorize or issue any new class of Parity Securities (provided that requirement will not limit the right of New Sealed Air to issue Parity Securities in connection with any merger in which New Sealed Air is the surviving entity). Notwithstanding the consent or voting requirements summarized in this paragraph, no such consent or vote of holders of the convertible preferred stock will be required if provision is made for the redemption of all shares of convertible preferred stock at the time outstanding.

The holders of convertible preferred stock will not have any voting rights except as summarized above or as required by law.

Redemption at Option of New Sealed Air

The convertible preferred stock may not be redeemed before the third anniversary of the Effective Time. From the third anniversary until the fifth anniversary of the Effective Time, New Sealed Air may redeem shares of convertible preferred stock only if the last reported sales price of a share of New Sealed Air common stock in its principal trading market for any 20 trading days within a period of 30 consecutive trading days ending on the trading day before the date of mailing the notice of redemption is at least \$70.6563. Subject to this restriction, New Sealed Air may redeem for cash the convertible preferred stock, in whole or in part at its option, after the third anniversary of the Effective Time at the applicable Redemption Price shown below, plus accrued but unpaid dividends to (but not including) the payment date.

Redemption Between Anniversaries	Redemption Price
-----	-----
3 and 4	\$51.40
4 and 5	\$51.20
5 and 6	\$51.00
6 and 7	\$50.80
7 and 8	\$50.60
8 and 9	\$50.40
9 and 10	\$50.20
Thereafter	\$50.00

Mandatory Redemption

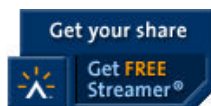
The convertible preferred stock is subject to mandatory redemption (subject to contractual and other restrictions and to the legal availability of funds therefor) in whole on the twentieth anniversary of the Effective Time, at a price of \$50.00 per share in cash, plus accrued and unpaid dividends to (but not including) the payment date.

Conversion Rights

Each holder of convertible preferred stock will have the right, at the holder's option, to convert any or all shares of convertible preferred stock into New Sealed Air common stock at any time at a conversion price (subject to customary antidilution adjustments) of \$56.525 per share of underlying common stock of New Sealed Air. Accordingly, each share of convertible preferred stock will be convertible into 0.8845644 shares of New Sealed Air common stock, subject to certain adjustments. Cash will be paid in lieu of any fractional shares. If the convertible preferred stock is called for redemption, the conversion right with respect to the called shares of convertible preferred stock will terminate at the close of business on the business day preceding the redemption date.


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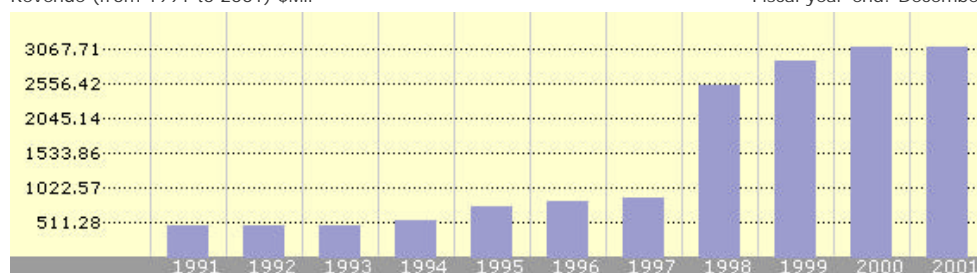
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Income Statement

As originally reported

Revenue (from 1991 to 2001) \$Mil

Fiscal year-end: December



	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Revenue	435.1	446.1	451.7	519.2	723.1	789.6	842.8	2,506.8	2,839.6	3,067.7	3,067.5
COGS	271.0	278.4	282.2	327.4	467.0	495.2	523.5	1,638.0	1,810.9	2,032.4	2,077.2
Gross Profit	164.1	167.6	169.5	191.8	256.2	294.4	319.3	868.7	1,028.7	1,035.3	990.3

Operating Expenses \$Mil

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
SG&A	94.6	95.4	95.4	107.9	147.3	164.4	172.8	486.2	527.1	516.3	513.1
R&D	---	---	---	---	---	---	---	---	---	---	---
Other	0.0	0.0	0.0	0.0	0.0	0.0	8.4	123.3	49.4	50.5	89.8
Operating Income	69.5	72.2	74.1	83.9	108.9	130.1	138.1	259.3	452.2	468.5	387.4

Other Income and Expense \$Mil

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Net Int Inc & Other	(38.0)	(33.4)	(28.7)	(22.7)	(21.7)	(15.5)	(4.6)	(60.4)	(56.5)	(55.0)	(89.9)
Earnings Before Taxes	31.5	38.8	45.5	61.2	87.2	114.6	133.5	199.0	395.7	413.4	297.5
Income Taxes	15.3	18.1	19.6	24.0	34.4	45.3	53.6	125.9	184.2	188.1	140.8
Earnings After Taxes	16.2	20.8	25.9	37.2	52.7	69.3	79.9	73.0	211.5	225.3	156.7
Acctg Changes	---	---	1.5	---	---	---	---	---	---	---	---
Disc Operations	---	---	---	---	---	---	---	---	---	---	---
Ext Items	---	---	---	(5.6)	---	---	---	---	---	---	---
Net Income	16.2	20.8	27.4	31.6	52.7	69.3	79.9	2.9	141.6	206.3	109.1
Diluted EPS, Cont Ops\$	0.44	0.54	0.66	0.94	1.25	1.63	1.88	0.02	1.68	1.93	1.22
Diluted EPS\$	0.44	0.54	0.70	0.80	1.25	1.63	1.88	0.02	1.68	1.93	1.22
Total Shares	37.0	38.4	39.2	39.9	42.1	42.5	42.6	73.0	83.6	83.7	83.7


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Balance Sheet

As originally reported

Assets \$Mil

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Cash and Equiv	20.2	26.0	19.4	11.2	7.7	3.0	35.5	45.0	13.7	11.2	13.8
Short-Term Investments	---	---	---	---	---	---	---	---	---	---	---
Accts Rec	63.7	64.6	67.0	91.3	116.5	124.2	132.3	513.0	533.6	548.6	463.8
Inventory	28.3	28.3	32.0	38.3	54.5	57.2	58.9	275.3	245.9	309.1	288.6
Other Current Assets	73.8	3.9	9.8	11.1	17.5	22.5	24.1	11.3	10.0	8.1	10.2
Total Current Assets	186.0	122.8	128.2	151.8	196.2	207.0	250.8	844.6	803.2	877.1	776.4
Net PP&E	116.5	112.2	120.8	136.2	169.9	174.6	171.1	1,116.6	1,023.4	1,032.1	1,050.4
Intangibles	18.3	17.3	16.5	29.4	54.0	59.8	52.6	1,907.7	1,860.0	1,959.9	1,913.0
Other Long-Term Assets	21.7	16.0	14.4	13.8	23.5	25.7	23.9	171.0	168.6	179.0	168.1
Total Assets	342.5	268.3	279.8	331.1	443.6	467.1	498.4	4,039.9	3,855.2	4,048.1	3,907.9

Liabilities and Stockholders' Equity \$Mil

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Accts Payable	21.8	21.4	22.9	43.0	44.5	46.9	48.8	176.6	175.2	154.9	135.5
Short-Term Debt	11.7	15.2	10.1	22.6	18.0	2.9	2.6	85.1	159.6	291.9	137.5
Income Taxes Payable	8.9	10.4	11.0	16.6	15.7	15.7	12.7	---	---	---	5.1
Accrued Liabilities	28.0	25.3	28.5	22.1	28.3	33.8	36.2	---	---	---	---
Other Short-Term Liabilities	29.5	21.1	21.8	31.8	47.8	48.8	63.2	273.3	247.4	227.8	348.9
Total Current Liabilities	99.9	93.4	94.3	136.1	154.2	148.1	163.6	535.0	582.1	674.6	627.0
Long-Term Debt	253.8	225.3	190.1	155.3	149.8	99.9	48.5	996.5	665.1	944.5	788.1
Other Long-Term Liabilities	15.9	15.9	24.9	28.8	33.2	32.5	29.0	2,071.4	2,057.0	1,675.9	1,642.7
Total Liabilities	369.5	334.6	309.2	320.1	337.2	280.5	241.1	3,602.9	3,304.2	3,295.0	3,057.8
Total Stockholders' Equity	(94.6)	(66.3)	(29.4)	11.0	106.3	186.7	257.3	437.1	551.0	753.1	850.2
Total Liabilities & Equity	274.9	268.3	279.8	331.1	443.5	467.1	498.4	4,039.9	3,855.2	4,048.1	3,907.9

Common Size

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
--	------	------	------	------	------	------	------	------	------	------	------


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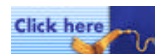
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Cash Flows

As originally reported

Cash Flows From Operating Activities \$Mil

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Net Income	16.2	20.8	27.4	31.6	52.7	69.3	79.9	73.0	211.5	225.3	156.7
Depr & Amort	22.9	23.6	24.5	23.5	35.3	39.9	22.6	196.0	223.6	220.0	221.2
Deferred Taxes	(3.1)	0.8	2.9	0.4	(1.4)	(5.3)	(2.9)	24.0	19.4	20.4	(9.1)
Other	8.9	1.3	(1.7)	7.4	(11.4)	12.1	(14.4)	118.7	(24.0)	(136.2)	209.9
Cash from Operations	44.9	46.5	53.1	62.9	75.2	116.1	85.1	411.7	430.4	329.4	578.7

Cash Flows From Investing Activities \$Mil

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Cap Ex	(16.0)	(11.2)	(22.5)	(17.5)	(21.1)	(17.0)	(24.4)	(82.4)	(75.1)	(114.2)	(146.3)
Purchase of Business	(4.1)	---	(1.2)	(15.3)	(27.7)	(30.0)	(10.1)	43.0	(25.8)	(237.5)	(36.0)
Other	4.3	1.1	0.2	0.2	0.8	1.5	0.5	1.1	3.6	2.7	4.4
Cash from Investing	(15.7)	(10.2)	(23.4)	(32.5)	(48.0)	(45.5)	(34.0)	(38.3)	(97.3)	(349.0)	(177.9)

Cash Flows From Financing Activities \$Mil

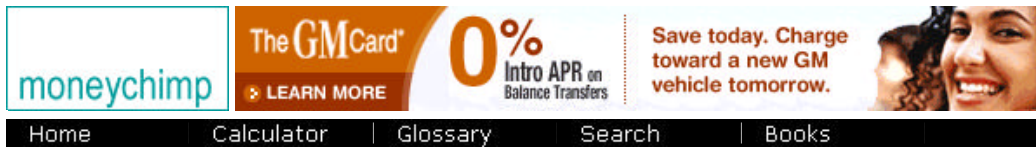
	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Net Issuance of Stock	0.0	0.0	0.0	0.0	0.0	0.0	(8.8)	(25.3)	(35.9)	(345.3)	(18.3)
Net Issuance of Debt	(26.6)	(24.3)	(38.3)	(38.8)	(39.0)	(68.9)	(43.2)	993.6	(334.5)	291.4	(151.4)
Dividends	---	---	---	---	---	---	---	(36.0)	(71.6)	(67.9)	(69.2)
Other	0.8	(6.0)	2.0	(0.3)	8.1	(6.2)	10.7	(1,257.5)	74.8	129.5	(163.8)
Cash from Financing	(25.8)	(30.3)	(36.2)	(39.1)	(30.9)	(75.1)	(41.2)	(325.1)	(367.2)	7.7	(402.6)
Currency Adj	(0.4)	(0.2)	(0.1)	0.4	0.2	(0.1)	(0.6)	(3.3)	2.8	9.5	4.4
Change in Cash	3.0	5.9	(6.7)	(8.2)	(3.5)	(4.7)	9.3	45.0	(31.3)	(2.4)	2.6

Free Cash Flow \$Mil

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Cash from Operations	44.9	46.5	53.1	62.9	75.2	116.1	85.1	411.7	430.4	329.4	578.7
Cap Ex	(16.0)	(11.2)	(22.5)	(17.5)	(21.1)	(17.0)	(24.4)	(82.4)	(75.1)	(114.2)	(146.3)
Free Cash Flow	29.0	35.3	30.6	45.5	54.2	99.1	60.8	329.2	355.3	215.2	432.4

Cash Flow Ratios

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Operating Cash	---	3.6%	14.1%	18.5%	19.5%	54.3%	(26.7%)	383.6%	4.5%	(23.5%)	75.7%
Flow Growth-YOY											



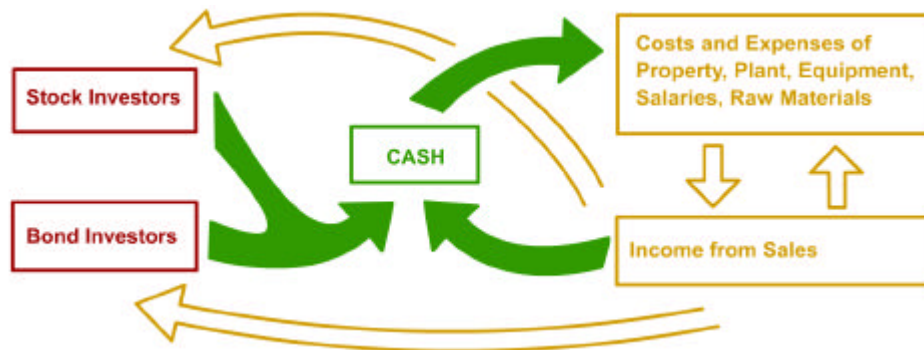
How to Read an Annual Report

If you're interested in the stock market, then sooner or later you'll want to know how to research a company's *fundamentals*: key numbers from the financial statements that help you gauge a company's financial health and future. But unless you're a professional accountant, you may find that a look at an annual report is like a visit to an alien planet; you'll encounter odd terminology, strange calculations, and of course big numbers.

This guide should help make things more accessible. It explains the three important financial statements from the annual report of a fictitious company:

- *Income Statement* How good the company is at making money
- *Cash Flow Statement* How they're paying for their operations and their future growth
- *Balance Sheet* What the company owns and owes

But first, here's an interactive diagram of the big picture that the annual report is trying to convey. Arrows indicate the movement of cash. Click on any hot zone; information will appear **below** the diagram.



Cash Flow from Financing (detailed on the Cash Flow Statement)

This is the easiest way to raise cash: issuing new stocks or bonds and selling them to the public. Both of these methods cause problems for shareholders. Issuing new stocks "dilutes" the value of each individual share; issuing bonds commits the company to paying interest, which will punish future earnings. In a really healthy company this arrow can flow backwards: they can be buying back shares and paying off debt, all of which will help to improve earnings per share in the future.

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