
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934
For the Quarterly Period Ended March 30, 2003**

Commission File Number 0-21314

U.S. CAN CORPORATION

(Exact Name of Registrant as Specified in its Charter)

06-1094196

(I.R.S. Employer Identification No.)

DELAWARE

(State or Other Jurisdiction of
Incorporation or Organization)

700 EAST BUTTERFIELD ROAD

SUITE 250

LOMBARD, ILLINOIS 60148

(Address of Principal Executive Offices, Including Zip Code)

(630) 678-8000

(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 (the "Exchange Act") during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

As of April 30, 2003, 53,333.333 shares of Common Stock were outstanding.

U.S. CAN CORPORATION AND SUBSIDIARIES
FORM 10-Q
FOR THE QUARTERLY PERIOD ENDED MARCH 30, 2003

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INCLUSION OF FORWARD-LOOKING INFORMATION

Certain statements in this report constitute "forward-looking statements" within the meaning of the federal securities laws. Such statements involve known and unknown risks and uncertainties which may cause the Company's actual results, performance or achievements to be materially different than any future results, performance or achievements expressed or implied in this report. By way of example and not limitation and in no particular order, known risks and uncertainties include our substantial debt and ability to generate sufficient cash flows to service our debt; the timing and cost of plant closures; the level of cost reduction achieved through restructuring and capital expenditure programs; the success of new technology; changes in market conditions or product demand; loss of important customers or volume; downward selling price movements; changes in raw material costs; and currency and interest rate fluctuations. In light of these and other risks and uncertainties as described under "Risk Factors" in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2002 and filed with the Securities and Exchange Commission in March 2003, the inclusion of a forward-looking statement in this report should not be regarded as a representation by the Company that any future results, performance or achievements will be attained.

U.S. CAN CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(000's OMITTED)

	For the Quarterly Period Ended	
	March 30, 2003	March 31, 2002
	(Unaudited)	
Net Sales	\$ 198,890	\$ 186,038
Cost of Sales	<u>177,546</u>	<u>167,070</u>
Gross income	21,344	18,968
Selling, General and Administrative Expenses	9,676	9,331
Special Charges	<u>1,030</u>	<u>-</u>
Operating income	10,638	9,637
Interest Expense	<u>14,102</u>	<u>13,743</u>
Loss before income taxes	(3,464)	(4,106)
Provision (benefit) for Income Taxes	<u>573</u>	<u>(1,724)</u>
Net Loss Before Cumulative Effect of Accounting Change	(4,037)	(2,382)
Cumulative Effect of Accounting Change, net of income taxes	<u>-</u>	<u>(18,302)</u>
Net Loss Before Preferred Stock Dividends	(4,037)	(20,684)
Preferred Stock Dividend Requirement	<u>(3,246)</u>	<u>(2,974)</u>
Net Loss Attributable to Common Stockholders	<u><u>\$ (7,283)</u></u>	<u><u>\$ (23,658)</u></u>

The accompanying Notes to Consolidated Financial Statements are
an integral part of these statements.

U.S. CAN CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(000's OMITTED, except per share data)

ASSETS	March 30, 2003	December 31, 2002
CURRENT ASSETS:	(Unaudited)	
Cash and cash equivalents	\$ 7,025	\$ 11,790
Accounts receivable, net of allowances	101,493	89,986
Inventories	107,694	105,635
Deferred income taxes	7,736	7,730
Other current assets	10,041	14,466
Total current assets	<u>233,989</u>	<u>229,607</u>
PROPERTY, PLANT AND EQUIPMENT, less accumulated depreciation and amortization	238,192	241,674
GOODWILL	27,384	27,384
DEFERRED INCOME TAXES	28,714	29,340
OTHER NON-CURRENT ASSETS	51,358	50,821
Total assets	<u>\$ 579,637</u>	<u>\$ 578,826</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current maturities of long-term debt and capital lease obligations	\$ 41,554	\$ 26,153
Accounts payable	100,525	94,537
Accrued expenses	54,902	51,446
Restructuring reserves	8,469	11,990
Income taxes payable	869	958
Total current liabilities	<u>206,319</u>	<u>185,084</u>
LONG TERM DEBT	504,292	523,529
LONG TERM LIABILITIES PURSUANT TO EMPLOYEE BENEFIT PLANS	73,851	74,574
OTHER LONG-TERM LIABILITIES	6,597	6,352
Total liabilities	791,059	789,539
REDEEMABLE PREFERRED STOCK, 200,000 shares authorized, 106,667 shares issued & outstanding	136,379	133,133
STOCKHOLDERS' EQUITY:		
Common stock, \$10.00 par value, 100,000 shares authorized, 53,333 shares issued & outstanding	533	533
Additional paid in capital	52,800	52,800
Accumulated other comprehensive loss	(47,748)	(51,076)
Accumulated deficit	(353,386)	(346,103)
Total stockholders' equity / (deficit)	<u>(347,801)</u>	<u>(343,846)</u>
Total liabilities and stockholders' equity	<u>\$ 579,637</u>	<u>\$ 578,826</u>

The accompanying Notes to Consolidated Financial Statements are
an integral part of these balance sheets

U.S. CAN CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(000's OMITTED)

	For the Quarterly Period Ended	
	March 30, 2003	March 31, 2002
	(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss before preferred stock dividend requirements	\$ (4,037)	\$ (20,684)
Adjustments to reconcile net income to net cash used for operating activities:		
Depreciation and amortization	9,087	8,806
Special Charges	1,030	-
Cumulative effect of accounting change, net of tax	-	18,302
Deferred income taxes	719	(777)
Change in operating assets and liabilities, net of effect of acquired and disposed of businesses:		
Accounts receivable	(10,753)	(3,368)
Inventories	(1,044)	(385)
Accounts payable	5,092	3,514
Accrued expenses	(32)	(1,994)
Other, net	(1,611)	(4,061)
Net cash used for operating activities	<u>(1,549)</u>	<u>(647)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(3,755)	(4,849)
Proceeds from sale of property	<u>5,186</u>	<u>406</u>
Net cash provided by (used for) investing activities	<u>1,431</u>	<u>(4,443)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net borrowings under revolving lines of credit	200	8,900
Payments of other long-term debt, including capital lease obligations	(5,492)	(1,839)
Borrowings of other debt	<u>1,048</u>	<u>8,201</u>
Net cash provided by (used for) financing activities	<u>(4,244)</u>	<u>15,262</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH	<u>(403)</u>	<u>299</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(4,765)</u>	<u>10,471</u>
CASH AND CASH EQUIVALENTS, beginning of period	<u>11,790</u>	<u>14,743</u>
CASH AND CASH EQUIVALENTS, end of period	<u>\$ 7,025</u>	<u>\$ 25,214</u>

The accompanying Notes to Consolidated Financial Statements are
an integral part of these statements.

U.S. CAN CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 30, 2003
(Unaudited)

(1) PRINCIPLES OF REPORTING

The consolidated financial statements include the accounts of U.S. Can Corporation (the "Corporation" or "U.S. Can"), its wholly owned subsidiary, United States Can Company ("United States Can"), and United States Can's subsidiaries (the "Subsidiaries"). All significant intercompany balances and transactions have been eliminated. These financial statements, in the opinion of management, include all normal recurring adjustments necessary for a fair presentation. Operating results for any interim period are not necessarily indicative of results that may be expected for the full year. These financial statements should be read in conjunction with the previously filed financial statements and footnotes included in the Corporation's Annual Report on Form 10-K for the year ended December 31, 2002.

Certain prior year amounts have been reclassified to conform with the 2003 presentation. Additionally, first quarter 2002 results were restated related to the Company's adoption of Statement of Financial Accounting Standards (SFAS) No. 142 "Goodwill and Other Intangible Assets" on January 1, 2002. Under the standard, goodwill and "indefinite-lived" intangibles are no longer amortized, but are tested annually for impairment. During the fourth quarter of 2002, the Company determined the amount of its goodwill impairment and recorded a pre-tax goodwill impairment charge of \$39.1 million (\$18.3 million, net of tax) effective as of January 1, 2002. The charge has been presented as a cumulative effect of a change in accounting principle.

NEW ACCOUNTING PRONOUNCEMENTS

SFAS No. 145 "Rescission of FASB Statements No. 4, 44, and 46, Amendment of FASB Statement No. 13, and Technical Corrections" was issued in April 2002 and is effective for fiscal years beginning after May 15, 2002. This statement eliminates the current requirement that gains and losses on extinguishment of debt be classified as extraordinary items in the statement of operations. Instead, the statement requires that gains and losses on extinguishment of debt be evaluated against the criteria in APB Opinion 30 to determine whether or not such gains or losses should be classified as an extraordinary item. The statement also contains other corrections to authoritative accounting literature in SFAS 4, 44 and 46. In accordance with the pronouncement, the Company adopted the standard on January 1, 2003. There was no impact to the financial position and results of operations of the Company as a result of the adoption.

The FASB issued SFAS No. 146 "Accounting for Costs Associated With Exit or Disposal Activities," in July 2002. SFAS No. 146 requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred. SFAS No. 146 supercedes the guidance of Emerging Issues Task Force ("EITF") Issue No. 94-3 "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity," which required that liabilities for exit costs be recognized at the date of an entity's commitment to an exit plan. SFAS No. 146 is effective for exit or disposal activities that are initiated after December 31, 2002. As discussed in Note 3, the Company recorded a restructuring charge in the first quarter of 2003 in accordance with the provisions of SFAS No. 146.

(2) SUPPLEMENTAL CASH FLOW INFORMATION

The Company paid interest of approximately \$3.3 million and \$10.3 million for the quarterly periods ended March 30, 2003 and March 31, 2002, respectively. The Company paid \$0.3 million in income taxes for the quarterly period ended March 30, 2003 and \$0.4 million for the quarterly period ended March 31, 2002.

(3) SPECIAL CHARGES

2003

During the first quarter of 2003, the Company recorded a restructuring charge of \$1.0 million related to position elimination costs in the U.S. and Europe. The position eliminations consisted of 16 employees, including two management level employees and an early termination program in one European facility. The Company recorded the charge in accordance with Statement of Financial Accounting Standards (SFAS) No. 146, "Accounting for Costs Associated With Exit or Disposal Activities." SFAS No. 146 requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred rather than at the commitment date. The adoption of SFAS No. 146 did not have a material effect on the timing of the special charge recorded in the first quarter of 2003. Total cash payments in the first quarter of 2003 were \$4.4 million (primarily severance and facility shut down costs) and the Company anticipates spending another \$12.3 million

over the next several years. The remaining reserve consists primarily of employee termination benefits paid over time for approximately 33 salaried and 51 hourly employees (approximately 600 positions were originally identified for elimination) and other ongoing facility exit costs.

The table below presents the reserve categories and related activity as of March 30, 2003:

	January 1, 2003 Balance	Net Additions	Cash Payments	March 30, 2003 Balance
Employee Separation	\$9.2	\$1.0	\$(2.6)	\$7.6
Facility Closing Costs	6.5	-	(1.8)	4.7
Total	<u>\$15.7</u>	<u>\$1.0</u>	<u>\$(4.4)</u>	<u>\$12.3 (a)</u>

(a) Includes \$3.8 million classified as other long-term liabilities as of March 30, 2003.

2002

During 2002, restructuring programs resulted in the closure of the Southall U.K. integrated plant, the Burns Harbor lithography facility, one Custom & Specialty plant, and the Burns Harbor, Indiana lithography facility. During the first quarter of 2002, the Company completed the closure of two plastics facilities in Georgia and consolidated production to a new facility in Atlanta, Georgia. Total cash payments in the first quarter of 2002 were \$3.2 million and the Company anticipated spending another \$30.0 million of such costs in 2002 and beyond.

	January 1, 2002 Balance	Net Additions	Cash Payments	Other(b)	March 31, 2002 Balance
Employee Separation	\$21.2	\$ -	\$(2.6)	\$(0.3)	\$18.3
Facility Closing Costs	10.7	-	(0.6)	1.6	11.7
Total	<u>\$31.9</u>	<u>\$ -</u>	<u>\$(3.2)</u>	<u>\$1.3</u>	<u>\$30.0 (a)</u>

(a) Includes \$6.0 million classified as other long-term liabilities as of March 31, 2002.

(b) Non-cash foreign currency translation impact and the reversal of \$1.5 million of asset write-offs previously expensed in the 2001 restructuring.

(4) INVENTORIES

All domestic inventories are stated at cost determined by the last-in, first-out ("LIFO") cost method, not in excess of market. Subsidiaries' inventories of approximately \$52.8 million at March 30, 2003 and \$48.1 million at December 31, 2002 are stated at cost determined by the first-in, first-out ("FIFO") cost method, not in excess of market. FIFO cost of LIFO inventories approximated their LIFO value at March 30, 2003 and at December 31, 2002.

Inventories reported in the accompanying balance sheets are classified as follows (000's omitted):

	March 30, 2003	December 31, 2002
Raw materials	\$ 24,064	\$ 23,492
Work in process	44,824	46,435
Finished goods	<u>38,806</u>	<u>35,708</u>
	<u>\$ 107,694</u>	<u>\$ 105,635</u>

(5) BUSINESS SEGMENTS

Management monitors and evaluates business performance, customer base and market share for four business segments. The segments have separate management teams and distinct product lines. The Aerosol segment primarily produces steel aerosol containers for personal care, household, automotive, paint and industrial products. The International segment produces aerosol cans in Europe and Latin America (through Formametal S.A., a joint venture in Argentina) as well as steel food packaging in Europe. The Paint, Plastic & General Line segment produces round cans for paint and coatings, oblong cans

for such items as lighter fluid and turpentine as well as plastic containers for paint and industrial and consumer products. The Custom & Specialty segment produces a wide array of functional and decorative tins, containers and other products.

The following is a summary of revenues from external customers and income (loss) from operations for the quarterly periods ended March 30, 2003 and March 31, 2002, respectively (000's omitted):

	<u>March 30, 2003</u>	<u>March 31, 2002</u>
REVENUES FROM EXTERNAL CUSTOMERS:		
Aerosol	\$ 88,778	\$ 86,464
International	63,065	54,504
Paint, Plastic & General Line	31,245	28,911
Custom & Specialty	<u>15,802</u>	<u>16,159</u>
Total revenues	<u>\$ 198,890</u>	<u>\$ 186,038</u>
INCOME (LOSS) FROM OPERATIONS:		
Aerosol	\$ 14,008	\$ 12,687
International	(829)	(216)
Paint, Plastic & General Line	4,185	2,276
Custom & Specialty	<u>551</u>	<u>629</u>
Total Segment Income From Operations	17,915	15,376
Corporate Expenses	(7,277)	(5,739)
Interest Expense	<u>(14,102)</u>	<u>(13,743)</u>
Loss before income taxes	<u>\$ (3,464)</u>	<u>\$ (4,106)</u>

(6) COMPREHENSIVE NET INCOME (LOSS)

The components of accumulated other comprehensive loss are as follows (000's omitted):

	<u>March 30, 2003</u>	<u>December 31, 2002</u>
Foreign Currency Translation Adjustment	\$(23,117)	\$(25,044)
Minimum Pension Liability Adjustment	(21,975)	(22,346)
Unrealized Loss on Cash Flow Hedges	<u>(2,656)</u>	<u>(3,686)</u>
Total Accumulated Other Comprehensive Loss	<u>\$(47,748)</u>	<u>\$(51,076)</u>

The components of comprehensive loss for the quarterly periods ended March 30, 2003 and March 31, 2002 are as follows (000's omitted):

	<u>Three Months Ended March 30, 2003</u>	<u>March 31, 2002</u>
Net Loss Before Preferred Stock Dividends	\$ (4,037)	\$ (20,684)
Foreign Currency Translation Adjustment	2,298	(12,584)
Unrealized Gain (Loss) on Cash Flow Hedges (a)	<u>1,030</u>	<u>1,290</u>
Comprehensive Loss	<u>\$ (709)</u>	<u>\$ (31,978)</u>

(a) Net of reclassification of losses included in net loss of \$1.6 million and \$1.2 million for the first quarter of 2003 and 2002, respectively.

(7) STOCK-BASED COMPENSATION

The Company periodically issues stock options under the U.S. Can 2000 Equity Incentive Plan. The Company continues to use the intrinsic fair value method under APB Opinion No. 25 to account for the plan; therefore, no compensation costs are recognized in the Company's financial statements for options granted.

During the first quarter of 2003 and 2002, the Company did not issue any stock options. In accordance with SFAS No. 148, the following table presents (in thousands) what the Company's net loss would have been had the Company determined compensation costs using the fair value-based accounting method.

	Actual Q1 2003	Pro-forma Q1 2003	Actual Q1 2002	Pro-forma Q1 2002
Stock-Based Compensation Cost, net of tax	\$ -	\$ (20)	\$ -	\$ (38)
Net Loss	\$ (7,283)	\$ (7,303)	\$ (23,658)	\$ (23,696)

(8) DEBT OBLIGATIONS

The Senior Secured Credit Facility and the Notes contain a number of financial and restrictive covenants. Under our Senior Secured Credit Facility, the Company is required to meet certain financial tests, including achievement of a minimum EBITDA level, a minimum interest coverage ratio, a minimum fixed charge coverage ratio and a maximum leverage ratio. The restrictive covenants limit the Company's ability to incur debt, pay dividends or make distributions, sell assets or consolidate or merge with other companies. The Company was in compliance with all of the required financial ratios and other covenants under both facilities, as amended, at March 30, 2003 and anticipates being in compliance in the remaining three quarters of 2003. However, the minimum EBITDA covenant increases significantly in the second and third quarters of 2003. Although management believes that it will be in compliance with these and other covenants under the Senior Secured Credit Facility, factors beyond our control, such as sudden downturns in the demand for our products or significant cost increases that we cannot quickly pass through to customers or offset through cost reductions, may cause our earnings levels to not achieve those forecasted. If we believe that we would be unable to achieve our minimum EBITDA or other financial covenants, we would expect to negotiate with the lenders an amendment to our Senior Secured Credit Facility. We cannot be assured however, that the lenders would agree to an amendment if one were required. Without such an amendment or a waiver, we would be in default on almost all of our borrowings, which would have severe consequences to the Company regarding its sources of liquidity and its ability to continue operations.

May Verpackungen ("May") has various bank facilities originating under loan agreements dated between 1996 and 1999. These agreements provided for up to ten-year terms with floating interest rates, and among other things, included provisions for the banks (i) to terminate the credit lines upon giving notice and (ii) rightfully demand security for the credit lines, have a negative pledge from May not to grant security without the bank's approval and the requirement that any bank lending to May be treated on terms no less favorable than any other bank's borrowings to May.

During April 2003, a formal demand for security was made and on April 30, 2003, May granted two of its banks a collateral interest in its inventory and accounts receivable in exchange for their agreement to allow the continuation of facilities (which have been fully drawn) in the amount of €11.8 million through June 30, 2003. In addition, United States Can Company made a payment of €1.5 million on May 7, 2003 in partial payment of term loans for which one of May's lenders demanded early payment in accordance with terms of the borrowings. These loans are guaranteed by U.S. Can. In addition, maturity of the €1.0 million remaining term loan has been accelerated to June 30, 2003. May has initiated discussions with several banks to secure a new facility prior to June 30, 2003 that would meet the seasonal borrowing needs of May. This facility is expected to be in an amount comparable to historical credit lines and secured in the same manner as the existing borrowings. Discussions with our banks are in the early stages; however, management believes that it will be able to secure adequate financing to meet May's working capital needs. If May is unable to secure adequate financing, the Company may seek to provide financing from other sources available to the Company, including currently existing or new lines of credit in the United States and Europe. If May defaults on payments of debt under its borrowing agreements and the Company is unable to secure additional financing, the default could have a material adverse effect on the financial position of the Company. There can be no assurance that the existing banks will extend or replace the current facilities, that new banks will extend the required level of credit or that funds will be available from other sources to finance May's requirements.

(9) COMMITMENTS AND CONTINGENCIES

Environmental

United States Can has been named as a potentially responsible party for costs incurred in the clean-up of a groundwater plume partially extending underneath United States Can's former site in San Leandro, California. We are a party to an indemnity

agreement related to this matter with the owner of the property. Extensive soil and groundwater investigative work has been performed at this site in a coordinated sampling event in 1999. The results of the sampling were inconclusive as to the source of the contamination. While the State of California has not yet commented on the sampling results, we believe that the principal source of contamination is unrelated to our past operations. At the request of the State of California, the Company will provide the State with samples from monitoring wells located at the San Leandro site as part of a coordinated sampling event that is currently scheduled for the first quarter of 2003.

Legal

The Company is involved in litigation from time to time in the ordinary course of our business. In our opinion, the litigation is not material to our financial condition or results of operations.

Walter Schmidt, former finance director at May Verpackungen GmbH ("May") sued for unfair dismissal following termination of his employment contract. The contract had a five-year term and Schmidt remains in pay status through its notice period, ending January 31, 2005. Mr. Schmidt claims that he also is due a severance settlement of five years' salary at the end of the notice period. In July 2002, the labor courts of first instance ruled that Mr. Schmidt notice date and termination should be effective December 31, 2005, and that the severance settlement is due at that time. On January 7, 2003, May appealed this ruling. In its appeal, May contends that the labor courts' ruling is erroneous on four bases. The appeals court will review the ruling of the labor courts of first instance *de novo*, meaning that it is not bound by the prior ruling and may render an independent decision. Since the appeals court's review is not complete, the Company is unable, at this time, to determine the appeals court's position or the effect on the Company of the initial decision.

(10) SUBSIDIARY GUARANTOR INFORMATION

The following presents the condensed consolidating financial data for U.S. Can Corporation (the "Parent Guarantor"), United States Can Company (the "Issuer"), USC May Verpackungen Holding Inc. (the "Subsidiary Guarantor"), and the Issuer's European subsidiaries, including May Verpackungen GmbH & Co., KG (the "Non-Guarantor Subsidiaries"), as of March 30, 2003 and December 31, 2002 and for the quarterly period ended March 30, 2003 and March 31, 2002. Investments in subsidiaries are accounted for by the Parent Guarantor, the Issuer and the Subsidiary Guarantor under the equity method for purposes of the supplemental consolidating presentation. Earnings of subsidiaries are, therefore, reflected in their parent's investment accounts and earnings. This consolidating information reflects the guarantors and non-guarantors of the Issuer's 12^{3/8}% senior subordinated notes due 2010.

The 12^{3/8}% senior subordinated notes are guaranteed on a full, unconditional, unsecured, senior subordinated, joint and several basis by the Parent Guarantor, the Subsidiary Guarantor and any other domestic restricted subsidiary of the Issuer. USC May Verpackungen Holding Inc., which is wholly owned by the Issuer, currently is the only Subsidiary Guarantor. The Parent Guarantor has no assets or operations separate from its investment in the Issuer.

Separate financial statements of the Issuer or the Subsidiary Guarantors have not been presented as management has determined that such information is not material to the holders of the 12^{3/8}% senior subordinated notes.

U.S. CAN CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS FOR THE QUARTERLY PERIOD ENDED MARCH 30, 2003

(unaudited)
(000's omitted)

	U.S. Can Corporation (Parent)	United States Can Company (Issuer)	USC May Verpackungen Holding (Guarantor Subsidiaries)	USC Europe/ May Verpackungen GmbH & Co., KG (Non- Guarantor Subsidiaries)	Eliminations	U.S. Can Corporation Consolidated
NET SALES	\$ —	\$ 135,825	\$ —	\$ 63,065	\$ —	\$ 198,890
COST OF SALES	—	117,080	—	60,466	—	177,546
Gross income	—	18,745	—	2,599	—	21,344
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	—	6,248	—	3,428	—	9,676
SPECIAL CHARGES	—	527	—	503	—	1,030
Operating income	—	11,970	—	(1,332)	—	10,638
INTEREST EXPENSE	—	11,642	1,596	864	—	14,102
EQUITY IN LOSS OF SUBSIDIARIES	(4,037)	(4,241)	(2,001)	—	10,279	—
Loss before income taxes	(4,037)	(3,913)	(3,597)	(2,196)	10,279	(3,464)
PROVISION FOR INCOME TAXES	—	124	—	449	—	573
NET LOSS BEFORE PREFERRED STOCK DIVIDENDS	(4,037)	(4,037)	(3,597)	(2,645)	10,279	(4,037)
PREFERRED STOCK DIVIDEND REQUIREMENT	(3,246)	—	—	—	—	(3,246)
NET LOSS ATTRIBUTABLE TO COMMON STOCKHOLDERS	<u>\$ (7,283)</u>	<u>\$ (4,037)</u>	<u>\$ (3,597)</u>	<u>\$ (2,645)</u>	<u>\$ 10,279</u>	<u>\$ (7,283)</u>

U.S. CAN CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

**CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2002**

(unaudited)
(000's omitted)

	U.S. Can Corporation (Parent)	United States Can Company (Issuer)	USC May Verpackungen Holding (Guarantor Subsidiaries)	USC Europe/ May Verpackungen GmbH & Co., KG (Non- Guarantor Subsidiaries)	Eliminations	U.S. Can Corporation Consolidated
NET SALES	\$ —	\$ 131,534	\$ —	\$ 54,504	\$ —	\$ 186,038
COST OF SALES	—	115,941	—	51,129	—	167,070
Gross income	—	15,593	—	3,375	—	18,968
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	—	5,740	—	3,591	—	9,331
Operating income	—	9,853	—	(216)	—	9,637
INTEREST EXPENSE	—	11,606	1,651	486	—	13,743
EQUITY IN EARNINGS (LOSS) OF SUBSIDIARIES	(20,684)	(11,430)	(16,066)	—	48,180	—
Income (loss) before income taxes	(20,684)	(13,183)	(17,717)	(702)	48,180	(4,106)
PROVISION (BENEFIT) FOR INCOME TAXES	—	(673)	(1,399)	348	—	(1,724)
NET LOSS BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGE	(20,684)	(12,510)	(16,318)	(1,050)	48,180	(2,382)
CUMULATIVE EFFECT OF ACCOUNTING CHANGE, net of income taxes	—	(8,174)	4,717	(14,845)	—	(18,302)
NET LOSS BEFORE PREFERRED STOCK DIVIDENDS	(20,684)	(20,684)	(11,601)	(15,895)	48,180	(20,684)
PREFERRED STOCK DIVIDEND REQUIREMENT	(2,974)	—	—	—	—	(2,974)
NET LOSS ATTRIBUTABLE TO COMMON STOCKHOLDERS	<u>\$ (23,658)</u>	<u>\$ (20,684)</u>	<u>\$ (11,601)</u>	<u>\$ (15,895)</u>	<u>\$ 48,180</u>	<u>\$ (23,658)</u>

U.S. CAN CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

CONDENSED CONSOLIDATING BALANCE SHEET
AS OF MARCH 30, 2003
(unaudited)
(000s omitted)

	U.S. Can Corporation (Parent)	United States Can Company (Issuer)	USC May Verpackungen Holding (Guarantor Subsidiaries)	USC Europe/ May Verpackungen GmbH & Co., KG (Non-Guarantor Subsidiaries)	Eliminations	U.S. Can Corporation Consolidated
CURRENT ASSETS:						
Cash and cash equivalents.....	\$ —	\$ 3,823	\$ —	\$ 3,202	\$ —	\$ 7,025
Accounts receivable	—	54,867	—	46,626	—	101,493
Inventories	—	54,872	(600)	53,422	—	107,694
Deferred income taxes.....	—	5,535	1,977	224	—	7,736
Other current assets	—	6,125	—	3,916	—	10,041
Total current assets.....	—	125,222	1,377	107,390	—	233,989
NET PROPERTY, PLANT AND						
EQUIPMENT	—	144,898	—	93,294	—	238,192
GOODWILL	—	27,384	—	—	—	27,384
DEFERRED INCOME TAXES	—	27,675	606	433	—	28,714
OTHER NON-CURRENT ASSETS ..	—	37,915	—	13,443	—	51,358
INTERCOMPANY						
ADVANCES	—	252,166	—	—	(252,166)	—
INVESTMENT IN						
SUBSIDIARIES.....	—	—	60,200	—	(60,200)	—
Total assets	<u>\$ —</u>	<u>\$ 615,260</u>	<u>\$ 62,183</u>	<u>\$ 214,560</u>	<u>\$ (312,366)</u>	<u>\$ 579,637</u>
CURRENT LIABILITIES						
Current maturities of						
long-term debt	\$ —	\$ 10,812	\$ —	\$ 30,742	\$ —	\$ 41,554
Accounts payable	—	47,919	—	52,606	—	100,525
Other current liabilities	—	52,017	31	12,192	—	64,240
Total current liabilities	—	110,748	31	95,540	—	206,319
TOTAL LONG TERM DEBT	854	503,438	—	—	—	504,292
LONG TERM LIABILITIES						
PURSUANT TO EMPLOYEE						
BENEFIT PLANS.....	—	44,674	672	28,505	—	73,851
OTHER LONG-TERM						
LIABILITIES	—	3,743	—	2,854	—	6,597
PREFERRED STOCK	136,379	—	—	—	—	136,379
INTERCOMPANY LOANS.....	112,056	—	116,460	23,650	(252,166)	—
INVESTMENT IN						
SUBSIDIARIES.....	98,512	51,169	—	—	(149,681)	—
STOCKHOLDERS' EQUITY /						
(DEFICIT)	(347,801)	(98,512)	(54,980)	64,011	89,481	(347,801)
Total liabilities and stockholders' equity	<u>\$ —</u>	<u>\$ 615,260</u>	<u>\$ 62,183</u>	<u>\$ 214,560</u>	<u>\$ (312,366)</u>	<u>\$ 579,637</u>

U.S. CAN CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

CONDENSED CONSOLIDATING BALANCE SHEET
AS OF DECEMBER 31, 2002

(unaudited)
(000s omitted)

	U.S. Can Corporation (Parent)	United States Can Company (Issuer)	USC May Verpackungen Holding (Subsidiary Guarantor)	USC Europe/ May Verpackungen GmbH (Non- Guarantor Subsidiaries)	Eliminations	U.S. Can Corporation Consolidated
CURRENT ASSETS:						
Cash and cash equivalents.....	\$ —	\$ 5,707	\$ —	\$ 6,083	\$ —	\$ 11,790
Accounts receivable	—	43,623	—	46,363	—	89,986
Inventories	—	57,500	(600)	48,735	—	105,635
Deferred income taxes.....	—	5,535	1,977	218	—	7,730
Other current assets	—	6,184	—	8,282	—	14,466
Total current assets.....	—	118,549	1,377	109,681	—	229,607
NET PROPERTY, PLANT AND EQUIPMENT	—	147,588	—	94,086	—	241,674
GOODWILL	—	27,384	—	—	—	27,384
DEFERRED INCOME TAXES	—	28,312	606	422	—	29,340
OTHER NON-CURRENT ASSETS ..	—	37,904	—	12,917	—	50,821
INTERCOMPANY ADVANCES	—	249,649	—	—	(249,649)	—
INVESTMENT IN SUBSIDIARIES.....	—	—	61,360	—	(61,360)	—
Total assets	<u>\$ —</u>	<u>\$ 609,386</u>	<u>\$ 63,343</u>	<u>\$ 217,106</u>	<u>\$ (311,009)</u>	<u>\$ 578,826</u>
CURRENT LIABILITIES						
Current maturities of long-term debt	\$ —	\$ 11,078	\$ —	\$ 15,075	\$ —	\$ 26,153
Accounts payable	—	47,901	—	46,636	—	94,537
Other current liabilities	—	48,389	31	15,974	—	64,394
Total current liabilities	—	107,368	31	77,685	—	185,084
TOTAL LONG TERM DEBT	854	503,238	—	19,437	—	523,529
LONG TERM LIABILITIES PURSUANT TO EMPLOYEE BENEFIT PLANS.....	—	44,603	673	29,298	—	74,574
OTHER LONG-TERM LIABILITIES	—	3,714	—	2,638	—	6,352
PREFERRED STOCK	133,133	—	—	—	—	133,133
INTERCOMPANY LOANS.....	112,057	—	114,863	22,729	(249,649)	—
INVESTMENT IN SUBSIDIARIES.....	97,802	48,265	—	—	(146,067)	—
STOCKHOLDERS' EQUITY / (DEFICIT)	(343,846)	(97,802)	(52,224)	65,319	84,707	(343,846)
Total liabilities and stockholders' equity	<u>\$ —</u>	<u>\$ 609,386</u>	<u>\$ 63,343</u>	<u>\$ 217,106</u>	<u>\$ (311,009)</u>	<u>\$ 578,826</u>

U.S. CAN CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS --- (Continued)

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE QUARTERLY PERIOD ENDED MARCH 30, 2003

(unaudited)
(000s omitted)

	U.S. Can Corporation (Parent)	United States Can Company (Issuer)	USC May Verpackungen Holding (Subsidiary Guarantor)	USC Europe / May Verpackungen (Non- Guarantor Subsidiaries)	U.S. Can Corporation Consolidated
CASH FLOWS (USED FOR) PROVIDED BY					
OPERATING ACTIVITIES	\$ —	\$ 3,463	\$ (3,601)	\$ (1,411)	\$ (1,549)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Capital expenditures	—	(2,782)	—	(973)	(3,755)
Proceeds from sale of property.	—	13	—	5,173	5,186
Net cash (used for) provided by investing activities.	—	(2,769)	—	4,200	1,431
CASH FLOWS FROM FINANCING ACTIVITIES:					
Changes in intercompany advances	—	(2,513)	3,601	(1,088)	—
Net borrowings under revolving line of credit.....	—	200	—	—	200
Payments of other long-term debt	—	(265)	—	(5,227)	(5,492)
Borrowing of other debt	—	—	—	1,048	1,048
Net cash (used for) provided by financing activities	—	(2,578)	3,601	(5,267)	(4,244)
EFFECT OF EXCHANGE RATE CHANGES ON					
CASH	—	—	—	(403)	(403)
DECREASE IN CASH AND					
CASH EQUIVALENTS	—	(1,884)	—	(2,881)	(4,765)
CASH AND CASH EQUIVALENTS, beginning of					
period.....	—	5,707	—	6,083	11,790
CASH AND CASH EQUIVALENTS, end of period	<u>\$ —</u>	<u>\$ 3,823</u>	<u>\$ —</u>	<u>\$ 3,202</u>	<u>\$ 7,025</u>

U.S. CAN CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS --- (Continued)

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE QUARTERLY PERIOD ENDED March 31, 2002
(unaudited)
(000s omitted)

	U.S. Can Corporation (Parent)	United States Can Company (Issuer)	USC May Verpackungen Holding (Subsidiary Guarantor)	USC Europe / May Verpackungen (Non- Guarantor Subsidiaries)	U.S. Can Corporation Consolidated
CASH FLOWS (USED FOR) PROVIDED BY					
OPERATING ACTIVITIES	\$ —	\$ 5,183	\$ (16,460)	\$ 10,630	\$ (647)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Capital expenditures	—	(3,271)	—	(1,578)	(4,849)
Proceeds on the sale of property.	—	406	—	—	406
Net cash used for investing activities.....	—	(2,865)	—	(1,578)	(4,443)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Changes in intercompany advances	—	(1,501)	16,460	(14,959)	—
Net borrowings under the revolving lines of credit	—	8,900	—	—	8,900
Payments of other long-term debt	—	(1,167)	—	(672)	(1,839)
Borrowing of other long-term debt	—	—	—	8,201	8,201
Net cash (used for) provided by financing activities	—	6,232	16,460	(7,430)	15,262
EFFECT OF EXCHANGE RATE CHANGES ON CASH	—	—	—	299	299
INCREASE IN CASH AND CASH EQUIVALENTS	—	8,550	—	1,921	10,471
CASH AND CASH EQUIVALENTS, beginning of period	—	8,249	—	6,494	14,743
CASH AND CASH EQUIVALENTS, end of period	<u>\$ —</u>	<u>\$ 16,799</u>	<u>\$ —</u>	<u>\$ 8,415</u>	<u>\$ 25,214</u>

Item 2. *Management's Discussion and Analysis of Financial Condition and Results of Operations*

The following narrative discusses the results of operations, liquidity and capital resources for the Company on a consolidated basis. This section should be read in conjunction with the financial statements and footnotes contained within this report and the Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2002 (see "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained therein).

Use of Estimates; Critical Accounting Policies

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Estimates are used for, but not limited to: allowance for doubtful accounts; inventory valuation; purchase accounting allocations; restructuring amounts; asset impairments; depreciable lives of assets; goodwill impairments; pension assumptions and tax valuation allowances. Future events and their effects cannot be perceived with certainty. Accordingly, our accounting estimates require the exercise of management's current best reasonable judgment based on facts available. The accounting estimates used in the preparation of the consolidated financial statements will change as new events occur, as more experience is acquired, as more information is obtained and as the Company's operating environments change. Significant business or customer conditions could cause material changes to the amounts reflected in our financial statements. Accounting policies requiring significant management judgments include those related to revenue recognition, inventory valuation, accounts receivable allowances, goodwill impairment, restructuring reserves, tax valuation allowances, pension benefit obligations and interest rate exposure.

Revenue is recognized when goods are shipped, at which time, title and risk of loss pass to the customer. Provisions for discounts, returns, allowances, customer rebates and other adjustments are provided for in the same period as the related revenues are recorded. The Company enters into contractual agreements with certain of its customers for rebates, generally based on annual sales volumes. Should the Company's estimates of the customers' annual sales volumes vary materially from the sales volumes actually realized, provisions for discounts, returns and allowances and customer rebates may vary and therefore revenue may be materially impacted.

Management estimates allowances for collectibility related to its accounts receivable based on the customer relationships, the aging and turns of accounts receivable, credit worthiness of customers, credit concentrations and payment history. Despite our best efforts, the inability of a particular customer to pay its debts could impact collectibility of receivables and could have an impact on future revenues if the customer is unable to arrange other financing.

Inventories are stated at the lower of cost or market and include material, labor and factory overhead. Costs for United States inventory have been determined using the last-in, first-out ("LIFO") method and costs for Subsidiaries' inventory have been determined by the first-in, first-out ("FIFO") method. The Company estimates reserves for inventory obsolescence and shrinkage based on its judgment of future realization. A large portion of the Company's inventory is manufactured to customer specifications and therefore less likely to become obsolete. Losses may result to the extent the Company manufactures customized products that it is unable to sell.

Statement of Financial Accounting Standards (SFAS) No. 142 "Goodwill and Other Intangible Assets" requires that goodwill and "indefinite-lived" intangibles are not amortized but are tested at least annually for impairment. On an ongoing basis, the Company reviews its operations for indications of potential goodwill impairment and annually tests its goodwill for impairment under SFAS 142 in November of each year. The Company identifies potential impairments of goodwill by comparing an estimated fair value for each applicable business unit to its respective carrying value. Although the values are assessed using a variety of internal and external sources, future events may cause reassessments of these values and related goodwill impairments.

In accordance with SFAS 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," we continually review whether events and circumstances subsequent to the acquisition of any long-lived assets have occurred that indicate the remaining estimated useful lives of those assets may warrant revision or that the remaining balance of those assets may not be recoverable. If events and circumstances indicate that the long-lived assets should be reviewed for possible impairment, we use projections to assess whether future cash flows or operating income (before amortization) on an undiscounted basis related to the tested assets is likely to exceed the recorded carrying amount of those assets, to determine if a write-down is appropriate. Should an impairment be identified, a loss would be reported to the extent that the carrying value

of the impaired assets exceeds their fair values as determined by valuation techniques appropriate in the circumstances that could include the use of similar projections on a discounted basis.

As more fully described in Note (3) to the Consolidated Financial Statements, several restructuring programs were implemented in order to streamline operations and reduce costs. The Company has established reserves and recorded charges against such reserves, to cover the costs to implement the programs. The estimated costs were determined based on contractual arrangements, quotes from contractors, similar historical activities and other judgmental determinations. Actual costs may differ from those estimated. In 2003, an additional charge of \$1.0 million was recorded related to position elimination costs in the U.S. and Europe. The Company recorded the charge in accordance with Statement of Financial Accounting Standards (SFAS) No. 146, "Accounting for Costs Associated With Exit or Disposal Activities." SFAS No. 146 requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred. SFAS No. 146 supercedes the guidance of Emerging Issues Task Force ("EITF") Issue No. 94-3 "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity," which required that liabilities for exit costs be recognized at the date of an entity's commitment to an exit plan. The adoption of SFAS No. 146 did not have a material effect on the timing of the special charge recorded in the first quarter of 2003.

The Company accounts for income taxes using the asset and liability method under which deferred income tax assets and liabilities are recognized for the tax consequences of "temporary differences" between the financial statement carrying amounts and the tax bases of existing assets and liabilities and operating losses and tax credit carry forwards. On an ongoing basis, the Company evaluates its deferred tax assets to determine whether it is more likely than not that such assets will be realized in the future and records valuation allowances against the deferred tax assets for amounts which are not considered more likely than not to be realized. The estimate of the amount that is more likely than not to be realized requires the use of assumptions concerning the amounts and timing of the Company's future income by taxing jurisdiction. Actual results may differ from those estimates.

The Company relies upon actuarial models to calculate its pension and post-retirement benefit obligations and the related effects on operations. Accounting for pensions and postretirement benefit plans using actuarial models requires the use of estimates and assumptions regarding numerous factors, including discount rate, the long-term rate of return on plan assets, health care cost increases, retirement ages, mortality and employee turnover. On an annual basis, the Company evaluates these critical assumptions and makes changes to them as necessary to reflect the Company's experience. In any given year, actual results could differ from actuarial assumptions made due to economic and other factors which could impact the amount of expense or liability for pensions or postretirement benefits the Company reports.

To manage interest rate exposure, the Company enters into interest rate agreements. The net interest paid or received on these agreements is recognized as interest income or expense. Our interest rate agreements are reported in the Consolidated Financial Statements at fair value using a mark-to-market valuation. Changes in the fair value of the contracts are recorded each period as a component of other comprehensive loss. Gains or losses on our interest rate agreements are reclassified as earnings or losses in the period in which earnings are affected by the underlying hedged item. This may result in additional volatility in reported earnings, other comprehensive loss and accumulated other comprehensive loss. Our interest rate swaps and collars were entered into in 2000, when interest rates were higher than current rates. Accordingly, these contracts are "out of the money" and may require future payments if market interest rates do not return to historical levels. In addition, if rates do increase above historical levels and the counterparties to the agreements default on their obligations under the agreements, our interest expense would increase. The Company does not use financial instruments for trading or speculative purposes.

Results of Operations

Consolidated net sales for the first quarter ended March 30, 2003 were \$198.9 million compared to \$186.0 million in the first quarter of 2002, an increase of 6.9%. Along business segment lines, Aerosol net sales for the first three months of 2003 increased to \$88.8 million from \$86.5 million for the same period in 2002, a 2.7% increase, due to increased unit volume (\$1.6 million) along with changes in product pricing and mix (\$0.7 million). International net sales increased to \$63.1 million for the first quarter of 2003 from \$54.5 million for the first quarter of 2002, an increase of \$8.6 million or 15.7%. The increase was due to the positive impact of the translation of sales made in foreign currencies based upon using the same average U.S. dollar exchange rates in effect during first quarter of 2002 (\$10.8 million) partially offset by lower European aerosol volume (\$2.2 million). Paint, Plastic & General Line net sales increased \$2.3 million to \$31.2 million for the first quarter of 2003 from \$28.9 million for the first quarter of 2002. This increase was due primarily to an increase in plastics volume (\$2.7 million) partially offset by the negative impact of a change in customer and product mix (\$0.4 million). In the Custom & Specialty segment, sales decreased 2.2% from \$16.2 million for the first three months in 2002 to \$15.8 million for the first three months in 2003, due to the negative impact of a change in mix of products sold.

Consolidated cost of goods sold increased \$10.5 million to \$177.5 million for the three months ended March 30, 2003 from the same quarter in 2002. The principal reasons for the increase include additional volume in U.S. aerosol and plastic products (\$3.9 million), the foreign currency translation impact on costs (\$10.4 million) and production inefficiencies resulting from decreased European aerosol volume (\$0.9 million). These increases were partially offset by cost reductions realized from the Company's prior restructuring programs (\$2.8 million) as well as decreased costs related to the decrease in European aerosol unit volume (\$1.9 million). Gross profit margin of 10.7% in the first quarter of 2003 increased 0.5 percentage points from the first quarter of 2002. Gross profit margin was positively impacted by operating efficiencies realized from restructuring programs (1.5 percentage points). The gross margin percentage was negatively impacted by International production inefficiencies and the overhead absorption impact of decreased European aerosol volume on the Company's gross margin rate (1.0 percentage point).

Selling, general and administrative costs were \$9.7 million or 4.9% of sales in the first quarter of 2003 compared to \$9.3 million or 5.0% of sales in the first quarter of 2002.

During the first quarter of 2003, the Company recorded a restructuring charge of \$1.0 million related to position elimination costs in the U.S. and Europe. The position eliminations consisted of 16 employees, including two management level employees and an early termination program in one European facility. The Company recorded the charge in accordance with Statement of Financial Accounting Standards (SFAS) No. 146, "Accounting for Costs Associated With Exit or Disposal Activities." SFAS No. 146 requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred rather than at the commitment date. The adoption of SFAS No. 146 did not have a material effect on the timing of the special charge recorded in the first quarter of 2003. Total cash payments in the first quarter of 2003 were \$4.4 million (primarily severance and facility shut down costs) and the Company anticipates spending another \$12.3 million over the next several years.

The table below presents the reserve categories and related activity as of March 30, 2003:

	January 1, 2003 Balance	Net Additions	Cash Payments	March 30, 2003 Balance
Employee Separation	\$9.2	\$1.0	\$(2.6)	\$7.6
Facility Closing Costs	6.5	-	(1.8)	4.7
Total	<u>\$15.7</u>	<u>\$1.0</u>	<u>\$(4.4)</u>	<u>\$12.3</u>

Interest expense in the first three months of 2003 increased 2.6%, or \$0.4 million, versus the same period of 2002 due to higher average borrowings during the period.

Income tax expense was \$0.6 million for the first quarter of 2003 versus an income tax benefit of \$1.7 million for the first quarter of 2002. During the fourth quarter of 2002, the Company recorded a valuation allowance as it could not conclude that it is "more likely than not" that all of the deferred tax assets of certain of its foreign operations will be realized in the foreseeable future. Accordingly, the Company did not record an income tax benefit related to the first quarter of 2003 losses of those operations.

Payment in kind dividends of \$3.2 million and \$3.0 million on the redeemable preferred stock were recorded for the first quarters of 2003 and 2002, respectively.

Liquidity and Capital Resources

During the first quarter of 2003, liquidity needs were met through cash on hand, internally generated cash flow and the proceeds from the sale of a facility. Principal liquidity needs included operating costs and capital expenditures. Cash flow used by operations was \$1.5 million for the three months ended March 30, 2003 compared to cash used of \$0.6 million for the three months ended March 31, 2002. Increases in working capital offset the improvements in operating results.

Net cash provided by investing activities was \$1.4 million for the first quarter of 2003 compared to net cash used of \$4.4 million (primarily capital spending) for the first quarter of 2002. First quarter 2003 investing activities include capital spending of \$3.8 million, including \$1.0 million in conjunction with the Company's restructuring programs, offset by the proceeds received from the sale of property of \$5.2 million. Proceeds received from the sale of property during the first quarter of 2003 are

composed primarily of the payment received for the sale of the Company's Daegeling, Germany facility, which was sold at the end of 2002.

Net cash used by financing activities in the first three months of 2003 was \$4.2 million, versus net cash provided of \$15.3 million for the same period in 2002. The primary first quarter 2002 financing sources were borrowings under the revolving credit portion of the Senior Secured Credit Facility and revolving lines of credit granted by various banks to fund the seasonal working capital requirements of May Verpackungen. The Senior Secured Credit Facility and the Notes contain a number of financial and restrictive covenants. The Company was in compliance with all of the required financial ratios and other covenants as of March 30, 2003.

May Verpackungen ("May") has various bank facilities originating under loan agreements dated between 1996 and 1999. These agreements provided for up to ten-year terms with floating interest rates, and among other things, included provisions for the banks to terminate the credit lines upon giving notice, rightfully demand security for the credit lines, have a negative pledge from May not to grant security without the bank's approval and the requirement that any bank lending to May be treated on terms no less favorable than any other bank's borrowings by May.

During April 2003, a formal demand for security was made and on April 30, 2003, May granted two of its banks a collateral interest in its inventory and accounts receivable in exchange for their agreement to allow the continuation of facilities (which have been fully drawn) in the amount of €11.8 million through June 30, 2003. In addition, United States Can Company made a payment of €1.5 million on May 7, 2003 in partial payment of term loans for which one of May's lenders demanded early payment in accordance with terms of the borrowings. These loans are guaranteed by U.S. Can. In addition, maturity of the €1.0 million remaining term loan has been accelerated to June 30, 2003. May has initiated discussions with several banks to secure a new facility prior to June 30, 2003 that would meet the seasonal borrowing needs of May. This facility is expected to be in an amount comparable to historical credit lines and secured in the same manner as the existing borrowings. Discussions with our banks are in the early stages; however, management believes that it will be able to secure adequate financing to meet May's working capital needs. If May is unable to secure adequate financing, the Company may seek to provide financing from other sources available to the Company, including currently existing or new lines of credit in the United States and Europe. If May defaults on payments of debt under its borrowing agreements and the Company is unable to secure additional financing, the default could have a material adverse effect on the financial position of the Company. There can be no assurance that the existing banks will extend or replace the current facilities, that new banks will extend the required level of credit or that funds will be available from other sources to finance May's requirements.

At March 30, 2003, \$69.9 million was outstanding under the \$110.0 million revolving loan portion of the Senior Secured Credit Facility. Letters of Credit of \$11.9 million were outstanding securing the Company's obligations under various insurance programs and other contractual agreements. In addition, the Company had \$7.0 million of cash and equivalents at quarter end.

The Senior Secured Credit Facility and the Notes contain a number of financial and restrictive covenants. Under our Senior Secured Credit Facility, the Company is required to meet certain financial tests, including achievement of a minimum EBITDA level, a minimum interest coverage ratio, a minimum fixed charge coverage ratio and a maximum leverage ratio. The restrictive covenants limit the Company's ability to incur debt, pay dividends or make distributions, sell assets or consolidate or merge with other companies. The Company was in compliance with all of the required financial ratios and other covenants under both facilities, as amended, at March 30, 2003 and anticipates being in compliance in the remaining three quarters of 2003. However, the minimum EBITDA covenant increases significantly in the second and third quarters of 2003. Although management believes that it will be in compliance with these and other covenants under the Senior Secured Credit Facility, factors beyond our control, such as sudden downturns in the demand for our products or significant cost increases that we cannot quickly pass through to customers or offset through cost reductions, may cause our earnings levels to not achieve those forecasted. If we believe that we would be unable to achieve our minimum EBITDA or other financial covenants, we would expect to negotiate with the lenders an amendment to our Senior Secured Credit Facility. We cannot be assured however, that the lenders would agree to an amendment if one were required. Without such an amendment or a waiver, we would be in default on almost all of our borrowings, which would have severe consequences to the Company regarding its sources of liquidity and its ability to continue operations.

At existing levels of operations and assuming the renegotiation of the May facilities, cash generated from operations together with amounts to be drawn from the revolving credit facility, are expected to be adequate to meet anticipated debt service requirements, restructure costs, capital expenditures and working capital needs. Future operating performance and the ability to service or refinance the notes, to service, extend or refinance the Senior Secured Credit Facility and to redeem or

refinance our preferred stock will be subject to future economic conditions and to financial, business and other factors, many of which are beyond management's control.

The Company continually evaluates all areas of its operations for ways to improve profitability and overall Company performance. In connection with these evaluations, management considers numerous alternatives to enhance the Company's existing business including, but not limited to acquisitions, divestitures, capacity realignments and alternative capital structures. The Company's Senior Secured Credit Facility prohibits the redemption of the subordinated debt. The Company may consider making such repurchases upon the expiration or amendment of the Facility.

Item 3. *Quantitative and Qualitative Disclosures About Market Risk*

Management does not believe the Company's exposure to market risk has significantly changed since year-end 2002.

Item 4. *Controls and Procedures*

Within the 90-day period prior to the date of this report, under the supervision and with the participation of the Chief Executive Officer and the Chief Financial Officer, the Company evaluated the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rule 13a-14 of the Securities and Exchange Act of 1934. Based on and as of the time of such evaluation, the Company's management, including the Chief Executive Officer and the Chief Financial Officer, concluded that the Company's disclosure controls and procedures are effective and timely in alerting them to material information relating to the Company required to be included in the Company's reports filed or submitted under the Exchange Act. There have been no significant changes in the Company's internal controls or in other factors which could significantly affect internal controls subsequent to the time of such evaluation.

PART II

OTHER INFORMATION

Item 1. Legal Proceedings

We are involved in litigation from time to time in the ordinary course of our business. In our opinion, the litigation is not material to our financial condition or results of operations.

Environmental

Our operations are subject to environmental laws in the United States and abroad, relating to pollution, the protection of the environment, the management and disposal of hazardous substances and wastes and the cleanup of contaminated sites. Our capital and operating budgets include costs and expenses associated with complying with these laws, including the acquisition, maintenance and repair of pollution control equipment, and routine measures to prevent, contain and clean up spills of materials that occur in the ordinary course of our business. In addition, some of our production facilities require environmental permits that are subject to revocation, modification and renewal. We believe that we are in substantial compliance with environmental laws and our environmental permit requirements, and that the costs and expenses associated with this compliance are not material to our business. However, additional operating costs and capital expenditures could be incurred if, among other developments, additional or more stringent requirements relevant to our operations are promulgated.

Occasionally, contaminants from current or historical operations have been detected at some of our present and former sites. Although we are not currently aware of any material claims or obligations with respect to these sites, the detection of additional contamination or the imposition of cleanup obligations at existing or unknown sites could result in significant liability.

We have been designated as a potentially responsible party under superfund laws at various sites in the United States, including a former can plant located in San Leandro, California. As a potentially responsible party, we are or may be legally responsible, jointly and severally with other members of the potentially responsible party group, for the cost of environmental remediation at these sites. Based on currently available data, we believe our contribution to the sites designated under U.S. Superfund law was, in most cases, minimal. With respect to San Leandro, we believe the principal source of contamination is unrelated to our past operations.

Through corporate due diligence and the Company's compliance management system, we identified potential noncompliance with the environmental laws at our New Castle, Pennsylvania facility related to the possible use of a coating or coatings inconsistent with the conditions in the facility's Clean Air Act Title V permit. In February 2001, the Company voluntarily self-reported the potential noncompliance to the Pennsylvania Department of Environmental Protection (PDEP) and the Environmental Protection Agency (EPA) in accordance with PDEP's and EPA's policies. The Company undertook a full review, revised its emissions calculations based on its review and determined that it had not exceeded its emissions cap for any reporting year. In September 2001, the Company reported to PDEP and EPA certain deviations from the requirements of its Title V permit related to the use of non-compliant coatings and corresponding recordkeeping and reporting obligations, and certain recordkeeping deviations stemming from the malfunction of the temperature recorder for an oxidizer. In October 2002 the Company and PDEP signed a Consent Assessment of Civil Penalty resolving the past reported deviations for \$30,000 and the Company paid the first installment. The second installment was paid in April 2003.

Based upon currently available information, the Company does not expect the effects of environmental matters to be material to its financial position.

Item 6. Exhibits and Reports On Form 8-K

- (a) Exhibits
 - 99.1 Certification of Chief Executive Officer Pursuant to 18 U.S.C. 1350
 - 99.2 Certification of Chief Financial Officer Pursuant to 18 U.S.C. 1350
- (b) Reports on Form 8-K
 - (i) The Company furnished to the Commission a Current Report on Form 8-K on February 24, 2003 to announce that the Company's board of directors had elected John L. Workman to serve as the Company's Chief Executive Officer and Sandra K. Vollman to serve as the Company's Chief Financial Officer. The Company's fourth quarter 2002 earnings press release was attached to the Current Report furnished on February 24, 2003.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: May 9, 2003

U.S. CAN CORPORATION

By: /s/ Sandra K. Vollman
Sandra K. Vollman
Senior Vice President and
Chief Financial Officer
(Duly authorized officer and principal
financial officer)

CERTIFICATIONS

Chief Executive Officer Certification

I, John L. Workman, certify that:

1. I have reviewed this quarterly report on Form 10-Q of U.S. Can Corporation;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function);
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 9, 2003

/s/ John L. Workman

John L. Workman
Chief Executive Officer

Chief Financial Officer Certification

I, Sandra K. Vollman, certify that:

1. I have reviewed this quarterly report on Form 10-Q of U.S. Can Corporation;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
 - a. designed such disclosure controls and procedures to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b. evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - c. presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function);
 - a. all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b. any fraud, whether or not material, that involves management or other employees who have significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 9, 2003

/s/ Sandra K. Vollman

Sandra K. Vollman
Senior Vice President and
Chief Financial Officer