

TUPPERWARE CORP

FORM 10-K (Annual Report)

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Address	14901 S ORANGE BLOSSOM TRAIL ORLANDO, Florida 32837-6600
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CIK	0001008654
Industry	Personal & Household Prods.
Sector	Consumer/Non-Cyclical
Fiscal Year	12/31

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 27, 2003

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Transition period from _____ to _____

Commission file number 1-11657

TUPPERWARE CORPORATION

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

36-4062333
(I.R.S. Employer
Identification No.)

**14901 South Orange Blossom Trail,
Orlando, Florida**
(Address of principal executive offices)

32837
(Zip Code)

Registrant's telephone number, including area code: (407) 826-5050

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, \$0.01 par value	New York Stock Exchange
Preferred Stock Purchase Rights	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

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 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the Registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes No

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the average bid and asked price (\$14.27) of such common equity on the New York Stock Exchange-Composite Transaction Listing on June 27, 2003, the last business day of the registrant's most recently completed second fiscal quarter: \$815,032,362.

As of March 4, 2004, 58,536,044 shares of the Common Stock, \$0.01 par value, of the Registrant were outstanding.

Documents Incorporated by Reference:

Portions of the Annual Report to Shareholders for the year ended December 27, 2003 are incorporated by reference into Parts I, II and IV of this Report.

Portions of the Proxy Statement relating to the Annual Meeting of Shareholders to be held May 12, 2004 are incorporated by reference into Part III of this Report.



PART I

Item 1. Business

(a) General Development of Business

Tupperware Corporation (“Registrant” or “Tupperware”), a \$1.2 billion multinational company, is one of the world’s leading direct sellers, supplying premium food storage, preparation and serving items to consumers in more than 100 countries through its Tupperware* brand, and premium beauty and skin care products through its BeautiControl* brand in North America, Latin America and Asia Pacific. The Registrant is a Delaware corporation that was organized on February 8, 1996 in connection with the corporate reorganization of Premark International, Inc. (“Premark”). In the reorganization, the businesses of the Registrant and certain other assets and liabilities of Premark and its subsidiaries were transferred to the Registrant. On May 31, 1996, the Registrant became a publicly held company through the pro rata distribution by Premark to its shareholders of all of the outstanding shares of common stock of the Registrant. On October 18, 2000, the Registrant acquired 100 percent of the stock of BeautiControl, Inc. (“BeautiControl”).

BUSINESS OF TUPPERWARE CORPORATION

The Registrant is a worldwide direct selling consumer products company engaged in the manufacture and sale of Tupperware products and BeautiControl cosmetics and personal care products. Each business manufactures and markets a broad line of high quality products. The financial information about the Registrant’s markets as set forth in Note 13: “Segment Information” on pages 63 through 65 of the Annual Report to Shareholders for the year ended December 27, 2003 is incorporated by reference into this Report. Investors can obtain access to periodic reports and corporate governance documents, including board committee charters, corporate governance principles and codes of conduct and ethics for financial executives, through the Registrant’s website free of charge as soon as reasonably practicable after reports are filed with the SEC by going to www.tupperware.com and searching under Company/Investor Relations/Shareholder Information. Such information is available in print to any shareholder who requests it in writing from the Corporate Secretary’s Department, Tupperware Corporation, P.O. Box 2353, Orlando, Florida 32802-2353. The chief executive officer of the Registrant has certified to the New York Stock Exchange (“NYSE”) that he is not aware of any violation by the Registrant of NYSE corporate governance listing standards.

I. PRINCIPAL PRODUCTS

Tupperware. The core of Tupperware’s product line consists of food storage, serving and preparation products. Tupperware also has an established line of kitchen gadgets, children’s educational toys, microwave products and gifts. The line of Tupperware products has expanded over the years with products such as Modular Mates* containers, Fridge Stackables* containers, One Touch* canisters, the Rock ‘N Serve* microwave line, the Ultraplus* and OvenWorks* microwave and oven lines, silicon baking forms, the Expressions serving line, the Legacy Serving line, FridgeSmart* containers, the E-Series* and Chef Series* knives, stovetop cookware, Stuffables* and CheeseSmart* storage containers, and many specialized containers, food storage and serving and other products.

Tupperware continues to introduce new designs, colors and decoration in its product lines, to vary its product offerings by season and to extend existing products into new markets around the world. The development of new products varies in different markets in order to address differences in cultures, lifestyles, tastes and needs of the markets. New products introduced in 2003 included a wide range of products in all four of Tupperware’s geographic areas, covering both core business areas and new categories. Some of the new products and categories are spices and seasonings and its new Stuffables* and CheeseSmart* containers. New product development and introduction will continue to be an important part of Tupperware’s strategy. Tupperware’s licensing business continues with existing partners such as The Walt Disney Company, Mattel, Warner Bros. and the National Football League.

BeautiControl. BeautiControl manufactures and distributes skin care products, cosmetics, bath and body care, toiletries, fragrances, and related products. BeautiControl also has a health and nutritional supplements line. New products introduced in 2003 included Microderm* Abrasion Facial Buffing Crème and Body Buffing Crème that provide affordable at-home, do-it-yourself spa treatments and Regeneration Reprogram* Skin Serum that provides protection for the skin. BeautiControl sells its products through independent sales persons called directors and consultants, who purchase the products from BeautiControl and then sell them directly to consumers in the home or workplace. Outside the United States and Canada, BeautiControl products are sold within the Tupperware organization structure.

II. MARKETS

Tupperware. Tupperware's business is operated on the basis of four geographic markets: Europe (Europe, Africa and the Middle East), Asia Pacific, Latin America and North America. Tupperware has operations in more than 80 countries and its products are sold in more than 100 foreign countries and in the United States. For the past five fiscal years, sales in foreign countries represented, on average, approximately 80 percent of total revenues from the sale of Tupperware products.

Market penetration varies throughout the world. Several "developing" areas that have low penetration, such as Latin America, Asia and Eastern and Central Europe, provide significant growth potential for Tupperware. Tupperware's strategy continues to include expansion and greater penetration into new markets throughout the world.

BeautiControl. BeautiControl's products and image services are provided to clients via an independent sales force in North America, Latin America and Asia Pacific.

III. DISTRIBUTION OF PRODUCTS

Tupperware. Tupperware's products are distributed worldwide primarily through the "direct selling" method of distribution, in which products are sold to consumers outside traditional retail store channels. The distributorship system facilitates the timely distribution of products to consumers, and establishes uniform practices regarding the use of Tupperware trademarks and administrative arrangements with Tupperware, such as order entering, delivering and paying along with recruiting and training dealers.

Tupperware products distributed under the direct selling method are primarily sold directly to distributors or dealers throughout the world. Distributors are granted the right to market Tupperware products using parties and other non-traditional retail methods and to utilize the Tupperware trademark. The vast majority of Tupperware's distribution system is composed of distributors, managers and dealers (known in North America as consultants) who are independent contractors and not employees of Tupperware. In certain limited circumstances, Tupperware acquires ownership of distributorships for a period of time, until an independent distributor can be installed, in order to maintain market presence.

In addition to the introduction of new products and development of new geographic markets, a key element of Tupperware's strategy is expanding its business by increasing the number of dealers, managers and distributors. Under the Tupperware system, distributors recruit, train, and motivate a large sales force to cover the distributor's geographic area. Managers are developed and promoted by distributors to assist the distributors in recruiting, training and motivating dealers, while continuing to hold their own parties. Over the past several years in Tupperware's United States business, the majority of its distributors have transitioned to operate under a new business model, in which many administrative tasks are performed by Tupperware since sales force orders and payments are made directly to the Company. This allows the distributor to concentrate on recruiting, training and motivating sales forces.

As of December 27, 2003, the Tupperware distribution system had approximately 1,900 distributors, 59,800 managers, and 910,000 dealers worldwide.

Tupperware relies primarily on the “party” method of sales, which is designed to enable the purchaser to appreciate through demonstration the features and benefits of Tupperware products. Demonstrations, which are sometimes referred to as “Tupperware parties,” are held in homes, offices, social clubs and other locations. Approximately 11.7 million demonstrations were held in 2003 worldwide. Tupperware products are also promoted through brochures mailed to persons invited to attend Tupperware parties and various other types of demonstrations. Sales of Tupperware products are supported by Tupperware through a program of sales promotions, sales and training aids and motivational conferences for the independent sales force. In addition, to support its sales force, Tupperware utilizes catalogs, television and magazine advertising, which helps increase its sales levels with hard-to-reach customers and generate sales force leads for parties and new dealers.

In 2003, Tupperware continued the implementation around the world of its integrated direct access strategies to allow consumers to obtain Tupperware products other than by attending a Tupperware party and to enhance its core party plan business. These strategies include retail access points, Internet selling, (which includes the option of personal websites for the North America sales force), and television shopping. In addition, Tupperware enters into business-to-business transactions, in which Tupperware sells products to a partner company, whose products are combined with Tupperware products and sold through the partner’s distribution channel, with a link back to Tupperware’s party plan business to generate additional Tupperware parties.

The distribution of products to consumers is primarily the responsibility of distributors, who often maintain their own inventory of Tupperware products, the necessary warehouse facilities, and delivery systems; however, in some situations, Tupperware performs warehousing and selling functions and pays the distributor a commission for sales activity. In certain markets, Tupperware offers distributors the use of a delivery system of direct product shipment to consumers or dealers, which can further reduce distributors’ costs and leaves them more time to recruit, train and motivate their sales forces.

BeutiControl. BeutiControl’s skin care, cosmetics and related products are sold through consultants and directors who are independent contractors, not employees of BeutiControl. As of December 27, 2003, the total sales force count was approximately 65,800.

The BeutiControl sales force reaches customers in group settings and through home demonstrations called Spa ESCAPEs or Image Parties. Introduced in 2003, Spa ESCAPEs provide the rejuvenating and relaxing benefits of a day spa while the customers learn the benefits of BeutiControl products and learn how to duplicate the spa experience in their homes, affordably. Additionally, the sales force is encouraged to market the products through personal consultations, product brochures and, in the United States, company-developed and -sponsored personal internet web pages called BeutiPage* in order to utilize multiple selling opportunities.

In order to provide immediate product delivery, the sales force maintains a small inventory of products.

In the United States, BeutiControl maintains BeutiControl.com through which consumers can order products, and BeutiNet* through which the sales force can place orders and recruit.

IV. COMPETITION

Tupperware. There are two primary competitive factors which affect the Registrant’s business: (i) competition with other “direct sales” companies for sales personnel and demonstration dates; and (ii) competition in the markets for food storage, serving and preparation containers, toys and gifts in general. Also, Tupperware has differentiated itself from its competitors through price, quality of products (lifetime warranty on most Tupperware products) and new products. Tupperware believes it holds a significant market share in each of these markets in many countries.

BeutiControl. There are many competitors in the cosmetics business and the principal bases of competition generally are marketing, price, quality and newness of products. BeutiControl has differentiated itself and its products from the industry in general through the use of a number of value-added services and by being technologically at the forefront of the industry.

V. EMPLOYEES

The Registrant employs approximately 6,200 people, of whom approximately 1,600 are based in the United States.

VI. RESEARCH AND DEVELOPMENT

The Registrant incurred expenses of approximately \$13.6 million, \$12.0 million and \$13.2 million for fiscal years ended 2003, 2002 and 2001, respectively, on research and development activities for new products.

VII. RAW MATERIALS

Tupperware. Products manufactured by Tupperware require plastic resins meeting its specifications. These resins are purchased through various arrangements with a number of large chemical companies located throughout Tupperware's markets. As a result, Tupperware has not experienced difficulties in obtaining adequate supplies and generally has been successful in obtaining favorable resin prices. Research and development relating to resins used in Tupperware products is performed by both Tupperware and its suppliers.

BeutiControl. Materials used in BeutiControl's skin care, cosmetic and bath and body care products consist primarily of readily available ingredients, containers and packaging materials. Such raw materials and components used in goods manufactured and assembled by BeutiControl are available from a number of sources. To date, BeutiControl has been able to secure an adequate supply of raw materials and components for its manufacturing and it endeavors to maintain relationships with backup suppliers in an effort to ensure that no interruptions occur in its operations.

VIII. TRADEMARKS AND PATENTS

Tupperware. Tupperware considers its trademarks and patents to be of material importance to its business; however, except for the Tupperware* trademark, Tupperware is not dependent upon any single patent or trademark, or group of patents or trademarks. The Tupperware* trademark is registered on a country-by-country basis. The current duration for such registration ranges from five years to ten years; however, each such registration may be renewed an unlimited number of times. The patents and trademarks used in Tupperware's business are registered and maintained on a worldwide basis, with a variety of durations. Tupperware has followed the practice of applying for design and utility patents with respect to most of its significant patentable developments. The licensed characters from the licensors referenced under the caption "Principal Products" have become an important part of Tupperware's business and those licenses have various durations.

BeutiControl. BeutiControl has registered its trademarks and servicemarks in the United States and has registered or is in the process of registering its principal trademarks and servicemarks in many other countries. The Company has a patent on the formulae for its "REGENERATION"* and "REGENERATION₂"* alpha-hydroxy acid-based products.

(Words followed by * are registered and unregistered Trademarks of the Registrant.)

IX. ENVIRONMENTAL LAWS

Compliance with federal, state and local environmental protection laws has not had in the past, and is not expected to have in the future, a material effect upon the Registrant's capital expenditures, liquidity, earnings or competitive position.

X. OTHER

Tupperware. Sales do not vary significantly on a quarterly basis; however, third quarter sales are generally lower than the other quarters in any year due to vacations by Tupperware's dealers and their customers, as well as Tupperware's reduced promotional activities during such quarter. Sales generally increase in the fourth quarter as it includes traditional gift-giving occasions in many of Tupperware's markets and as children return to school and households refocus on activities that include the use of Tupperware's products along with increased promotional activities supporting these opportunities.

BeutiControl. BeutiControl is not subject to seasonality to any significant extent.

General. Generally, there are no working capital practices or backlog conditions which are material to an understanding of the Registrant's business. The Registrant's business is not dependent on a small number of customers, nor is any of its business subject to renegotiation of profits or termination of contracts or subcontracts at the election of the United States government.

XI. EXECUTIVE OFFICERS OF THE REGISTRANT

Following is a list of the names and ages of all the Executive Officers of the Registrant, indicating all positions and offices with the Registrant held by each such person, and each such person's principal occupations or employment during the past five years. Each such person has been elected to serve until the next annual election of officers of the Registrant (expected to occur on May 12, 2004).

Positions and Offices Held and Principal Occupations of Employment During Past Five Years

<u>Name and Age</u>	<u>Office and Experience</u>
Judy B. Curry, age 41	Vice President and Controller since August 2000. Prior thereto, she served as Vice President and Chief Financial Officer of Tupperware Products S.A. in Fribourg, Switzerland since June 1999 after serving as the Registrant's Assistant Controller since April 1998.
R. Glenn Drake, age 51	Group President, North America, Europe, Africa and the Middle East since January 2002, after serving as President, Tupperware North America since January 2000. Prior thereto, he served as Managing Director, Tupperware Canada from September 1998.
Lillian D. Garcia, age 47	Senior Vice President, Human Resources since December 1999. Prior thereto, she was Vice President Human Resources since April 1999 after serving as Vice President, Human Resources, Tupperware Latin America since October 1998.
V. Jane Garrard, age 41	Vice President, Investor and Media Relations since April 2002. Prior thereto, she was Vice President-Controller of Tupperware's BeutiControl subsidiary since May 2000. Prior thereto from August 1998 to May 2000, she served as Director of Financial Planning and Treasury for Kitty Hawk, Inc.
E.V. Goings, age 58	Chairman and Chief Executive Officer since October 1997. Mr. Goings serves as a Director of Circuit City Stores, Inc., R. J. Reynolds Tobacco Holdings, Inc. and SunTrust Bank of Central Florida, N.A.

<u>Name and Age</u>	<u>Office and Experience</u>
Josef Hajek, age 46	Vice President, Tax since September 2001, after serving as Staff Vice President, Tax from January 1998.
David T. Halversen, age 59	Group President, Latin America and BeautiControl since March 2003. Prior thereto, he served as Senior Vice President, Business Development and Planning since May 2002 and as Senior Vice President, Business Development and Communications since November 1996.
C. Morgan Hare, age 56	Senior Vice President, Global Marketing since May 2003. Prior thereto she served as Vice President and Senior Global Marketing Officer since October 2001, after serving in senior marketing positions with Home Shopping Network since March 1997.
Christa Hart, age 44	Vice President, Strategy and Business Development since July 2003. Prior to such date she served as a consultant from October 2002 to July 2003 with International Business Machines Corporation, after serving as a consultant with PricewaterhouseCoopers LLP.
Anne E. Naylor, age 54	Vice President, Internal Audit since October 1999. Prior thereto, she served as Executive Director, Business Analysis and Audit, Cummins Engine Company from May 1995.
Gaylin L. Olson, age 58	Group President, Asia Pacific and Emerging Markets since September 2002, after serving as Group President, Latin America and Asia Pacific since January 2002, and President, Tupperware Latin America since September 1998.
Michael S. Poteshman, age 40	Senior Vice President and Chief Financial Officer since November 2003, after serving as Vice President and Chief Financial Officer of Tupperware Europe, Africa and the Middle East since May 2002. Prior thereto he served as Vice President, Finance and Investor Relations from May 2001 to May 2002, as Vice President, Investor Relations and Treasurer from August 2000 to May 2001, and prior thereto as Vice President and Controller.
Thomas M. Roehlk, age 53	Senior Vice President, General Counsel and Secretary since December 1995.
Christian E. Skroeder, age 55	Senior Vice President, Worldwide Market Development since April 2001, responsible for emerging markets in Asia Pacific, after serving as Group President, Tupperware Europe, Africa and the Middle East since April 1998.
José R. Timmerman, age 55	Senior Vice President, Worldwide Operations since August 1997.
Robert F. Wagner, age 43	Vice President and Chief Technology Officer since August 2002. Prior thereto, he was Vice President of Information Technology, Worldwide from June 2001. From 1996 to 2001 he was Director, Information Technology for Tupperware North America.

Item 2. Properties

The principal executive office of the Registrant is owned by the Registrant and is located in Orlando, Florida. The Registrant owns and maintains Tupperware manufacturing plants in Belgium, Brazil, France, Greece, Japan, Korea, Mexico, the Philippines, Portugal, South Africa and the United States, and leases manufacturing and distribution facilities in China, India, and Venezuela. The Registrant owns and maintains the BeautiControl headquarters in Texas and leases its manufacturing facilities in Texas. The Registrant conducts a continuing program of new product design and development at its facilities in Florida, Texas, Japan and Belgium. None of the owned principal properties is subject to any encumbrance material to the consolidated operations of the Registrant. The Registrant considers the condition and extent of utilization of its plants, warehouses and other properties to be good, the capacity of its plants and warehouses generally to be adequate for its needs, and the nature of the properties to be suitable for its needs.

In addition to the above-described improved properties, the Registrant owns approximately 500 acres of unimproved real estate surrounding its corporate headquarters in Orlando, Florida, which have been prepared for a variety of development purposes. The Registrant began selling this property in 2002, and this project is expected to continue through 2006 or 2007.

Item 3. Legal Proceedings

A number of ordinary-course legal and administrative proceedings against the Registrant are pending. In addition to such proceedings, there are certain proceedings that involve the discharge of materials into or otherwise relating to the protection of the environment. Certain of such proceedings involve federal environmental laws such as the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as well as state and local laws. The Registrant establishes reserves with respect to certain of such proceedings. Because of the involvement of other parties and the uncertainty of potential environmental impacts, the eventual outcomes of such actions and the cost and timing of expenditures cannot be determined with certainty. It is not expected that the outcome of such proceedings, either individually or in the aggregate, will have a materially adverse effect upon the Registrant.

As part of the 1986 reorganization involving the formation of Premark International, Inc., Premark was spun-off by Dart & Kraft, Inc., and Kraft Foods, Inc. assumed any liabilities arising out of any legal proceedings in connection with certain divested or discontinued former businesses of Dart Industries Inc., a subsidiary of the Registrant, including matters alleging product and environmental liability. The assumption of liabilities by Kraft Foods, Inc. remains effective subsequent to the distribution of the equity of the Registrant to Premark shareholders.

Item 4. Submission of Matters to a Vote of Security Holders

None.

PART II

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters

The stock price information set forth in Note 15: "Quarterly Financial Summary (Unaudited)" appearing on page 66 of the Annual Report to Shareholders for the year ended December 27, 2003, is incorporated by reference into this Report. The information set forth in Note 16: "Rights Agreement" on page 67 of the Annual Report to Shareholders for the year ended December 27, 2003 is incorporated by reference into this Report. As of February 15, 2004, the Registrant had 52,681 shareholders of record and beneficial holders.

Item 6. Selected Financial Data

The information set forth under the caption "Selected Financial Data" on pages 14 through 17 of the Annual Report to Shareholders for the year ended December 27, 2003, is incorporated by reference into this Report.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The information entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" set forth on pages 18 through 39 of the Annual Report to Shareholders for the year ended December 27, 2003, is incorporated by reference into this Report.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

The information set forth under the caption "Market Risk" on pages 36 and 37 of the Annual Report to Shareholders for the year ended December 27, 2003, is incorporated by reference into this Report.

Item 8. Financial Statements and Supplementary Data

(a) The following Consolidated Financial Statements of Tupperware Corporation and Report of Independent Certified Public Accountants set forth on pages 40 through 67, and on page 68, respectively, of the Annual Report to Shareholders for the year ended December 27, 2003 are incorporated by reference into this Report:

Consolidated Statements of Income, Shareholders' Equity and Comprehensive Income and Cash Flows—Years ended December 27, 2003, December 28, 2002 and December 29, 2001;

Consolidated Balance Sheets—December 27, 2003 and December 28, 2002;

Notes to the Consolidated Financial Statements; and

Report of Independent Certified Public Accountants.

(b) The supplementary data regarding quarterly results of operations contained in Note 15: "Quarterly Financial Summary (Unaudited)" of the Notes to the Consolidated Financial Statements of Tupperware Corporation on page 66 of the Annual Report to Shareholders for the year ended December 27, 2003, is incorporated by reference into this Report.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the Company's reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to the Company's management, including the Chief Executive Officer and the Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives and management was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As of the end of the period covered by this report, management, under the supervision of the Company's Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the design and operation of the disclosure controls and procedures were effective at a level of reasonable assurance to ensure that information required to be disclosed in the reports the Company files and submits under the Exchange Act is recorded, processed, summarized and reported as and when required.

In addition, there have been no significant changes in the Company's internal control over financial reporting or in other factors which could significantly affect internal control over financial reporting subsequent to the date the Company carried out its evaluation. There were no significant deficiencies or material weaknesses identified in the evaluation and therefore, no corrective actions were taken.

PART III

Item 10. Directors and Executive Officers of the Registrant

The information as to the Directors of the Registrant set forth under the sub-caption "Board of Directors" appearing under the caption "Election of Directors" on pages 1 through 4 of the Proxy Statement relating to the Annual Meeting of Shareholders to be held on May 12, 2004, as well as the information under the caption "Corporate Governance" on page 4 of such proxy statement, and the information set forth under the caption "Section 16(A) Beneficial Ownership Reporting Compliance" on page 6 of such proxy statement, is incorporated by reference into this Report. The information as to the Executive Officers of the Registrant is included in Part I hereof under the caption "Executive Officers of the Registrant" in reliance upon General Instruction G to Form 10-K and Instruction 3 to Item 401(b) of Regulation S-K.

Item 11. Executive Compensation

The information set forth under the caption "Compensation of Directors" on page 16 of the Proxy Statement relating to the Annual Meeting of Shareholders to be held on May 12, 2004, and the information on pages 12 through 17 of such Proxy Statement relating to executive officers' compensation is incorporated by reference into this Report.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information set forth under the captions "Security Ownership of Certain Beneficial Owners" on page 6, "Security Ownership of Management" on page 5 and "Equity Compensation Plan Information" on page 13 of the Proxy Statement relating to the Annual Meeting of Shareholders to be held on May 12, 2004, is incorporated by reference into this Report.

Item 13. Certain Relationships and Related Transactions

The information set forth under the caption "Indebtedness of Management" on pages 6 and 7 of the Proxy Statement relating to the Annual Meeting of Shareholders to be held on May 12, 2004, is incorporated by reference into this Report.

Item 14. Principal Accounting Fees and Services

The information set fourth under the captions "Audit Fees," "Audit-Related Fees," "Tax Fees," "All Other Fees," and "Approval of Audit Services" on pages 17 and 18 of the Proxy Statement related to the Annual Meeting of Shareholders to be held on May 12, 2004, is incorporated by reference into this report.

PART IV

Item 15. Exhibits, Financial Statement Schedules and Reports On Form 8-K

(a) (1) List of Financial Statements

The following Consolidated Financial Statements of Tupperware Corporation and Report of Independent Certified Public Accountants set forth on pages 40 through 67 and on page 68, respectively, of the Annual Report to Shareholders for the year ended December 27, 2003, are incorporated by reference into this Report by Item 8 hereof:

Consolidated Statements of Income, Shareholders' Equity and Comprehensive Income and Cash Flows—Years ended December 27, 2003, December 28, 2002 and December 29, 2001;

Consolidated Balance Sheets—December 27, 2003 and December 28, 2002;

Notes to the Consolidated Financial Statements; and

Report of Independent Certified Public Accountants.

(a) (2) List of Financial Statement Schedules

The following consolidated financial statement schedules (numbered in accordance with Regulation S-X) of Tupperware Corporation are included in this Report:

Report of Independent Certified Public Accountants on Financial Statement Schedule Report; and

Schedule II—Valuation and Qualifying Accounts for each of the three years ended December 27, 2003.

All other schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are not required under the related instructions, are inapplicable or the information called for therein is included elsewhere in the financial statements or related notes contained or incorporated by reference herein.

(a) (3) List of Exhibits: (numbered in accordance with Item 601 of Regulation S-K)

<u>Exhibit Number</u>	<u>Description</u>
*1	Underwriting Agreement (Attached to Form S-3 (No. 333-12125) Registration Statement as Exhibit 1 filed with the Commission on September 16, 1996, and incorporated herein by reference).
*2	Distribution Agreement by and among Premark International, Inc., Tupperware Corporation and Dart Industries Inc. (Attached as Exhibit 2 to Tupperware Corporation's Registration Statement on Form 10 filed with the Commission on March 4, 1996, and incorporated herein by reference).
*3.1	Amended and Restated Certificate of Incorporation of Tupperware Corporation (Attached as Exhibit 3.1 to the Registrant's Registration Statement on Form 10 filed with the Commission on March 4, 1996, and incorporated herein by reference).
*3.2	Amended and Restated By-laws of Tupperware Corporation as amended May 11, 1999 (Attached as Exhibit 3.2 to Form 10-Q for the second quarter of 1999 filed with the Commission on August 9, 1999, and incorporated herein by reference).
*4.1	Rights Agreement, by and between Tupperware Corporation and the rights agent named therein (Attached as Exhibit 4 to the Registrant's Registration Statement on Form 10, filed with the Commission on March 4, 1996, and incorporated herein by reference).

Exhibit Number	Description
*4.2	Indenture dated as of October 1, 1996, among Tupperware Corporation and The First National Bank of Chicago, as Trustee, (Attached as Exhibit 4(a) to Tupperware Corporation's Registration Statement on Form S-3 (No. 333-12125), filed with the Commission on September 25, 1996, and incorporated herein by reference).
*4.3	Form of Debt Securities (Attached as Exhibit 4(b) to Tupperware Corporation's Registration Statement on Form S-3 (No. 333-12125), filed with the Commission on September 25, 1996, and incorporated herein by reference).
*4.4	Form of Warrant Agreement, including form of Warrant Certificate (Attached as Exhibit 4(a) to Tupperware Corporation's Registration Statement on Form S-3 (No. 333-12125) filed with the Commission on September 25, 1996, and incorporated herein by reference).
*10.1	Tupperware Corporation 1996 Incentive Plan as amended through August 10, 2000 (Attached as Exhibit 10.1 to Form 10-K filed with the Commission on March 20, 2001, and incorporated herein by reference).
*10.2	Tupperware Corporation Directors' Stock Plan as amended November 12, 1998 (Attached as Exhibit 10.2 to Form 10-K filed with the Commission on March 24, 1999, and incorporated herein by reference).
*10.3	Form of Change of Control Agreement (Attached as Exhibit 10.2 to Form 10-Q for the third quarter of 1999 filed with the Commission on November 8, 1999, and incorporated herein by reference).
*10.4	Tax Sharing Agreement between Tupperware Corporation and Premark International, Inc. (Attached as Exhibit 10.3 to the Registrant's Registration Statement on Form 10, filed with the Commission on May 22, 1996, and incorporated herein by reference).
*10.5	Employee Benefits and Compensation Allocation Agreement between Tupperware Corporation and Premark International, Inc. (Attached as Exhibit 10.4 to the Registrant's Registration Statement on Form 10, filed with the Commission on March 4, 1996, and incorporated herein by reference).
*10.6	Credit Agreements dated April 30, 2002, as amended April 28, 2003 (Attached as Exhibits 10.1 to Form 10-Q, filed with the Commission on May 14, 2002 and May 13, 2003 and incorporated herein by reference).
*10.7	Form of Franchise Agreement between a subsidiary of the Registrant and distributors of Tupperware products in the United States (Attached as Exhibit 10.7 to Form 10-K filed with the Commission on March 26, 2002, and incorporated herein by reference.)
*10.8	[Reserved]
*10.9	Loan Agreement, Promissory Note, and Stock Pledge Agreement dated November 13, 1998, between a subsidiary of Tupperware and E.V. Goings (Attached as Exhibit 10.9 to the Registrant's Annual Report on Form 10-K for the year ended December 26, 1998 filed with the Commission on March 24, 1999, and incorporated herein by reference).
*10.10	Management Stock Purchase Plan (Attached to Form S-8 (No. 333-48650) as Exhibit 4.3 filed with the Commission on October 26, 2000 and incorporated herein by reference).
*10.11	Form of Promissory Note between Tupperware and various executives (Attached as Exhibit 10.11 to Form 10-K filed with the Commission on March 20, 2001, and incorporated herein by reference).
*10.12	Form of Stock Pledge Agreement between Tupperware and various executives (Attached as Exhibit 10.12 to Form 10-K filed with the Commission on March 20, 2001, and incorporated herein by reference).
*10.13	Tupperware Corporation 2000 Incentive Plan as amended through August 10, 2000 (Filed on Form S-8 (No. 333-50012) on November 15, 2000, and incorporated herein by reference.)

Exhibit Number	Description
*10.14	Chief Executive Officer Severance Agreement between the Registrant and E.V. Goings dated June 1, 2003. (Attached as Exhibit 10.2 to Form 10-Q filed with the Commission on August 12, 2003, and incorporated herein by reference).
*10.15	Tupperware Corporation Supplemental Executive Retirement Plan dated June 1, 2003 (Attached as Exhibit 10.3 to Form 10-Q filed with the Commission on August 12, 2003, and incorporated herein by reference).
*10.16	Form of Note Purchase Agreement between a subsidiary of the Registrant and participants in a private placement debt offering of \$150 million Senior Notes due July 2011 (attached as Exhibit 10.1 to Form 10-Q filed with the Commission on August 13, 2001, and incorporated herein by reference).
*10.17	The Registrant's guaranty agreement with its subsidiary regarding \$150 million Senior Notes due July 2011 (Attached as Exhibit 10.2 to Form 10-Q filed with the Commission on August 13, 2001, and incorporated herein by reference).
*10.18	Tupperware Corporation 2002 Incentive Plan (Attached as Exhibit 10.17 to Form 10-K filed with the Commission on March 27, 2003, and incorporated herein by reference).
13	Pages 14 through 69 of the Annual Report to Shareholders of the Registrant for the year ended December 27, 2003.
21	Subsidiaries of Tupperware Corporation as of March 4, 2004.
23	Consent of Independent Accountants
24	Powers of Attorney.
31.1	Rule 13a-14(a)/15d-14(a) Certification of the Chief Executive Officer
31.2	Rule 13a-14(a)/15d-14(a) Certification of the Chief Financial Officer
32.1	Certification Pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code by the Chief Executive Officer
32.2	Certification Pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code by the Chief Financial Officer

* Document has heretofore been filed with the Commission and is incorporated by reference and made a part hereof.

The Registrant agrees to furnish, upon request of the Commission, a copy of all constituent instruments defining the rights of holders of long-term debt of the Registrant and its consolidated subsidiaries.

(b) Reports on Form 8-K

During the quarter ended December 27, 2003, the Registrant filed a report on Form 8-K dated October 22, 2003 furnishing under Item 12 its earnings release announcing its financial results for the third quarter and year-to-date period ended September 27, 2003.

**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
ON FINANCIAL STATEMENT SCHEDULE**

To the Board of Directors and
Shareholders of Tupperware Corporation

Our audits of the consolidated financial statements referred to in our report dated February 12, 2004 appearing in the 2003 Annual Report to Shareholders of Tupperware Corporation (which report and consolidated financial statements are incorporated by reference in this Annual Report on Form 10-K) also included an audit of the financial statement schedule listed in Item 15(a)(2) of this Form 10-K. In our opinion, this financial statement schedule presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

PricewaterhouseCoopers LLP
Orlando, Florida
February 12, 2004

TUPPERWARE CORPORATION
SCHEDULE II—VALUATION AND QUALIFYING ACCOUNTS
FOR THE THREE YEARS ENDED DECEMBER 27, 2003
(In millions)

<u>Col. A</u>	<u>Col. B.</u>	<u>Col. C.</u>		<u>Col. D.</u>	<u>Col. E.</u>
		<u>Additions</u>			
	<u>Balance at Beginning of Period</u>	<u>Charged to Costs and Expenses</u>	<u>Charged to Other Accounts</u>	<u>Deductions</u>	<u>Balance at End of Period</u>
Allowance for doubtful accounts, current and long term:					
Year ended December 27, 2003	\$ 50.5	\$ 7.6	\$ —	\$ (8.8) / F1	\$ 53.6
				4.3 / F2	
Year ended December 28, 2002	46.7	10.2	—	(4.2) / F1	50.5
				(2.2) / F2	
Year ended December 29, 2001	59.7	13.4	—	(22.3) / F1	46.7
				(4.1) / F2	
Valuation allowance for deferred tax assets:					
Year ended December 27, 2003	\$ 31.8	\$ 1.5	\$ —	\$ (3.3) / F1	\$ 32.4
				2.4 / F2	
Year ended December 28, 2002	40.1	0.1	—	(8.4) / F2	31.8
Year ended December 29, 2001	31.8	8.3	—	—	40.1
Allowance for Inventory Obsolescence:					
Year ended December 27, 2003	\$ 16.1	\$ 6.7	\$ —	\$ 0.8 / F2	\$ 20.9
				(2.7) / F3	
Year ended December 28, 2002	20.8	5.1	—	(1.0) / F2	16.1
				(8.8) / F3	
Year ended December 29, 2001	24.6	3.5	—	(6.4) / F3	20.8
				(0.9) / F2	

F1 Represents write-offs less recoveries.

F2 Foreign currency translation adjustment.

F3 Represents write-offs less inventory sold.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

TUPPERWARE CORPORATION
(Registrant)

By: /s/ E.V. GOINGS

E.V. Goings
Chairman and Chief Executive Officer

March 9, 2004

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated.

<u>Signature</u>	<u>Title</u>
/s/ E.V. GOINGS <hr/> E.V. Goings	Chairman and Chief Executive Officer and Director (Principal Executive Officer)
/s/ MICHAEL S. POTESHMAN <hr/> Michael S. Poteshman	Senior Vice President and Chief Financial Officer (Principal Financial Officer)
/s/ JUDY B. CURRY <hr/> Judy B. Curry	Vice President and Controller (Principal Accounting Officer)
* <hr/> Rita Bornstein, Ph.D.	Director
* <hr/> Kriss Cloninger III	Director
* <hr/> Clifford J. Grum	Director
* <hr/> Joe R. Lee	Director
* <hr/> Bob Marbut	Director
* <hr/> Angel R. Martinez	Director
* <hr/> Robert J. Murray	Director
* <hr/> David R. Parker	Director
* <hr/> Joyce M. Roché	Director

M. Anne Szostak

By: /s/ THOMAS M. R OEHLK

Thomas M. Roehlk
Attorney-in-fact

March 9, 2004

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Exhibit 13

Selected Financial Data

(Dollars in millions,
except per share amounts)

	2003	2002	2001	2000	1999
Operating results					
Net sales ^a :					
Europe	\$ 538.5	\$ 420.8	\$ 400.4	\$ 424.1	\$ 489.1
Asia Pacific	220.2	209.5	213.4	242.0	242.3
Latin America ^b	102.6	130.9	182.6	176.2	134.8
North America ^{b, c}	222.6	268.4	254.2	218.6	197.6
BeautiControl North America ^{b, d}	90.9	73.9	63.8	12.2	—
Total net sales	\$1,174.8	\$1,103.5	\$1,114.4	\$1,073.1	\$1,063.8
Segment profit (loss):					
Europe	\$ 110.0	\$ 88.3 ^e	\$ 74.8	\$ 94.1	\$ 110.7
Asia Pacific	17.6	35.7 ^e	28.5	44.8	35.0
Latin America ^b	3.1 ^e	6.2 ^e	15.4 ^e	7.0 ^e	10.0
North America ^b	(22.4)	30.4	32.9	16.6	6.7
BeautiControl North America ^{b, d}	5.1	5.9	0.5	0.1	—
Total segment profit	113.4	166.5	152.1	162.6	162.4
Unallocated expenses	(40.5) ^f	(20.9) ^{e, f}	(23.4) ^e	(27.9) ^e	(23.1) ^e
Other income	4.3 ^f	14.4 ^{e, f}	—	—	—
Re-engineering and impairment charges	(6.8) ^e	(20.8) ^e	(24.8) ^e	(12.5) ^e	(15.1) ^e
Interest expense, net	(13.8)	(21.8)	(21.7)	(21.1)	(20.9)
Income before income taxes	56.6	117.4	82.2	101.1	103.3
Provision for income taxes	8.7	27.3	20.7	26.2	24.3
Net income	\$ 47.9	\$ 90.1	\$ 61.5	\$ 74.9	\$ 79.0
Earnings per common share:					
Basic	\$ 0.82	\$ 1.55	\$ 1.06	\$ 1.30	\$ 1.37
Diluted	\$ 0.82	\$ 1.54	\$ 1.04	\$ 1.29	\$ 1.37

See footnote explanations on pages 16 and 17.

Selected Financial Data (continued)*(Dollars in millions,
except per share amounts)*

	2003	2002	2001	2000	1999
Profitability ratios					
Segment profit as a percent of sales: ^{d, e}					
Europe	20.4%	21.0%	18.7%	22.2%	22.6%
Asia Pacific	8.0	17.0	13.4	18.5	14.4
Latin America ^b	3.1	4.7	8.4	4.0	7.4
North America ^b	nm	11.3	13.0	7.6	3.4
BeutiControl North America ^{b, d}	5.6	8.0	0.9	1.1	—
Return on average equity ^g	24.1	61.0	50.2	52.6	60.5
Return on average invested capital ^g	10.9	19.4	14.1	17.8	19.5
Financial Condition					
Working capital	\$ 137.2	\$ 77.1	\$ 13.8	\$ 96.6	\$ 61.3
Property, plant and equipment, net	221.4	228.9	228.5	233.1	242.9
Total assets	889.9	830.6	845.7	849.4	796.1
Short-term borrowings and current portion of long-term debt	5.6	21.2	91.6	26.9	43.9
Long-term debt	263.5	265.1	276.1	358.1	248.5
Shareholders' equity	228.2	177.5	126.6	123.9	145.3
Current ratio	1.50	1.27	1.04	1.35	1.20
Long-term debt-to-equity	115.5%	149.4%	218.1%	289.0%	171.0%
Total debt-to-capital ^h	54.1%	61.7%	74.4%	75.6%	66.8%
Net debt-to-capital ⁱ	49.5%	58.8%	73.4%	74.0%	64.8%
Other Data					
Net cash provided by operating activities	\$ 105.6	\$ 128.2	\$ 108.8	\$ 86.1	\$ 113.0
Net cash (used in) provided by investing activities	(30.6)	14.4	(54.8)	(102.6)	(40.9)
Net cash (used in) provided by financing activities	(64.7)	(132.1)	(66.9)	26.4	(73.3)
Capital expenditures	40.0	46.9	54.8	46.3	40.9
Depreciation and amortization	52.6	48.8	49.9	52.1	55.6
Common Stock Data					
Dividends declared per share	\$ 0.88	\$ 0.88	\$ 0.88	\$ 0.88	\$ 0.88
Dividend payout ratio ^j	107.3%	57.1%	84.6%	68.2%	64.2%
Average common shares outstanding (thousands):					
Basic	58,382	58,242	57,957	57,692	57,519
Diluted	58,440	58,716	58,884	57,974	57,870
Year-end book value per share ^k	\$ 3.90	\$ 3.04	\$ 2.18	\$ 2.14	\$ 2.52
Year-end price/earnings ratio ^l	20.6	9.8	18.7	15.8	12.3
Year-end market/book ratio ^m	4.3	4.9	8.9	9.5	6.7
Year-end shareholders (thousands)	9.4	10.1	11.7	12.7	14.1

See footnote explanations on pages 16 and 17.

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- a. In October 2000, the Emerging Issues Task Force issued EITF 00-10, "Accounting for Shipping and Handling Revenues and Cost", which requires fees billed to customers associated with shipping and handling to be classified as revenue. Accordingly, Tupperware Corporation (Tupperware, the Company) has reclassified the revenue related to shipping and handling fees billed to customers from delivery expense to net sales for 1999.
 - b. As a result of a change in management reporting structures, effective with the beginning of the Company's 2002 fiscal year, the Company has reported the United States and Canada as the Tupperware North America business segment and BeautiControl operations outside North America have been included in their respective geographic segments. Prior year amounts have been restated to reflect this change.
 - c. Beginning in 2001, the United States Tupperware business began to transition its distributors to a new business model. Under this model, sales are made directly to the sales force with distributors compensated through commission payments. This model results in a higher company sales price that includes the margin previously realized by the distributors. The impact of this change on the comparison with prior year sales was approximately \$27.0 million, \$16.2 million and \$4.5 million in 2003, 2002 and 2001, respectively.
 - d. In October 2000, the Company purchased all of the outstanding shares of BeautiControl, Inc. (BeautiControl), and its results of operations have been included since the date of acquisition. In 2002, the Company adopted SFAS 142, "Goodwill and Other Intangible Assets", which eliminated the amortization of goodwill. Goodwill amortization in the BeautiControl segment was \$1.4 million and \$0.2 million in 2001 and 2000, respectively.
 - e. The re-engineering and impairment charges line provides for severance and other exit costs. Latin America 2003 segment profit was reduced by \$0.1 million from an increase in reserves for receivables related to restructuring activities in Brazil. In addition, unallocated expenses included \$0.1 million, \$3.2 million, \$7.9 million and \$1.0 million for internal and external consulting costs incurred in connection with re-engineering activities in 2002, 2001, 2000 and 1999, respectively. In 2002, \$1.6 million was recorded as a reduction of Europe segment profit related to the write-down of inventory and reserves for receivables as a result of restructuring the business model of the Company's United Kingdom operations. Also, 2002 Asia Pacific segment profit was reduced by \$2.7 million primarily related to costs associated with the closure of one of the Company's Japanese manufacturing/distribution facilities. In addition, in 2002, \$0.1 million was recorded as a reduction of Latin America segment profit primarily as a result of reserves for receivables as a result of a restructure of BeautiControl operations in Mexico. As part of re-engineering actions, in 2002, the Company sold its former Spanish manufacturing facility, its Convention Center complex in Orlando, Florida and one of its Japanese manufacturing/distribution facilities generating pretax gains of \$21.9 million, \$4.4 million and \$13.1 million, respectively. The Spanish and Japanese gains were included in the Europe and Asia Pacific segments, respectively, and the Convention Center gain was recorded in other income in the preceding table. In 2001, \$7.7 million was recorded as a reduction to Latin America segment profit primarily related to the write-down of inventory and reserves for receivables as a result of the restructuring of Brazilian sales and manufacturing operations. In 2000, \$6.3 million was recorded as a reduction to Latin America segment profit related to the write-down of inventory and reserves for receivables related to changes in distributor operations. Total after-tax impact of these costs (gains) was \$3.1 million, \$(8.5) million, \$32.5 million, \$24.2 million and \$12.3 million in 2003, 2002, 2001, 2000 and 1999, respectively. See Note 2 to the consolidated financial statements.
 - f. In 2002, the Company began to sell land held for development near its Orlando, Florida headquarters. During 2003, pretax gains from these sales were \$3.7 million and during 2002, pretax gains from these sales (which exclude the convention center gain noted above) were \$10.0 million and were recorded in other income in the preceding table. Certain members of management, including senior officers, received incentive compensation totaling \$0.2 million and \$1.3 million in 2003 and 2002, respectively, based upon completion of performance goals related to real estate development. These costs were recorded in unallocated expenses.

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- g. Returns on average equity and invested capital are calculated by dividing net income by the average monthly balance of shareholders' equity and invested capital. Invested capital equals shareholders' equity plus debt.
 - h. Capital is defined as total debt plus shareholders' equity.
 - i. Capital is defined as total debt less cash on hand plus shareholders' equity.
 - j. The dividend payout ratio is dividends declared per share divided by diluted earnings per share.
 - k. Year-end book value per share is calculated as year-end shareholders' equity divided by average diluted shares.
 - l. Year-end price/earnings ratio is calculated as the year-end market price of the Company's common stock divided by the full year diluted earnings per share.
 - m. Year-end market/book ratio is calculated as the year-end market price of the Company's common stock divided by the year-end book value per share.

nm—Not meaningful.

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

The following is a discussion of the results of operations for 2003 compared with 2002, 2002 compared with 2001 and changes in financial condition during 2003. The Company's fiscal year ends on the last Saturday of December. This information should be read in conjunction with the consolidated financial information provided on pages 40 to 69 of this Annual Report.

The Company's primary means of distributing its product is through independent sales organizations and individuals, who are also its customers. The majority of the Company's products are in turn sold to end customers who are not members of the Company's sales forces. The Company is largely dependent upon these independent sales organizations and individuals to reach end consumers and any significant disruption of this distribution network would have a negative financial impact on the Company and its ability to generate sales, earnings and operating cash flows. The Company's primary business drivers are the size, activity and productivity of its independent sales organizations.

Overview

Overall, the Company's 2003 performance reflected the strength of Europe that began building in the second half of 2002 and has resulted in strong sales force statistics that should provide a base for continued growth, albeit at a more moderate rate. In addition, the year saw a significant downturn in the U.S. Tupperware business, principally because of the Company's late 2002 decision to expand its Target initiative into all of approximately 1,100 U.S. Target stores which had a negative impact on the sales force and direct selling channel. This result was not indicated by earlier testing. As a result, notwithstanding a favorable sell through of Tupperware products in the stores, the Company ended its relationship with Target in the third quarter and began the process of rebuilding the sales force. While this initiative clearly has had significant adverse consequences, it also provided valuable insight into the parameters required for success in the Company's ongoing strategy of increasing contact with consumers. Performance in 2003 was further hindered by significant reductions in profitability in Asia Pacific and Latin American. The Company was able to moderate the declines toward the end of the year and Asia Pacific is expected to begin turning around in 2004 while Latin America is not expected to provide any meaningful contribution to Company sales or profit growth for the next couple of years while the Company works to expand its beauty business in the region. The comparison with 2002 results was also impacted by the absence of significant gains on asset disposals realized during 2002, primarily as a result of the sale of excess facilities.

Cost rationalization actions taken in the United States in 2003 are expected to provide \$15 to \$20 million of benefit to the Company in 2004 based on the elimination of certain costs incurred in 2003 and improved gross margins. The Company intends to utilize a portion of these funds to expand public relations campaigns in the United States and Europe to broaden awareness of the Company's revitalized party programs which have met with early success. The Company also intends to invest in the expansion of its beauty line of business in Latin America in 2004 to take advantage of the consumable nature of the products and the significantly larger overall beauty market in Latin America as compared with that of the Company's durable product offerings. It will also continue cost rationalization efforts for at least the next several years, particularly in its manufacturing operations, as it continues a strategy of reducing its dependence on internally produced product and relying more on outsourced product. This strategy includes both the traditional Tupperware product line as well as additional product categories that the Company markets through its direct selling sales channel. This strategy will reduce the Company's required investments in plant and machinery, as well as help it better manage variations in production capacity requirements. All of these initiatives are expected to provide long-term benefits to both sales growth and return on sales.

Despite reduced profitability during 2003, the Company was able to continue to improve its balance sheet position and reduce its debt to total capital ratio to within its targeted range of 50 to 55 percent. Moving into 2004, the Company expects to be able to continue to strengthen its balance sheet by maintaining a stable working capital position, a modest program of capital investment and continuing to sell land held for development near the Company's Orlando, Florida headquarters. Despite debt ratings downgrades just before and just after the end of 2003, as discussed in the liquidity and capital resources section, the Company

is confident in its ability to continue to finance its ongoing operations, capital spending and dividend program through available financing sources.

Consolidated Results of Operations

Net Sales and Net Income. Net sales in 2003 increased 6 percent including an \$87.1 million favorable impact resulting from a weaker U.S. dollar, primarily versus the euro. Excluding this impact, net sales for the year were down slightly. In local currency, Europe had a strong increase and BeautiControl North America showed significant growth. Offsetting these improvements, Asia

Pacific was down slightly while Latin America had a larger decline and North America declined significantly. Also impacting the current year's sales levels was the continuation of the implementation of a modification in the distributor model in the United States. Under this model, sales are made directly to the sales force with distributors compensated through commission payments. This model results in a higher company sales price that includes the margin previously realized by the distributors. This change has no significant impact on profit but also benefits the Company as it includes payment with order in most cases and results in reduced receivables. At the end of 2003, the United States had completed its conversion program. While it is expected that this program will next be implemented in the Canadian distributor force, it is not expected to significantly impact sales going forward. At the end of 2002, approximately 70 percent of United States distributors had been converted. Excluding the approximately \$27 million impact of this new model and the impact of foreign currency, total company net sales for 2003 declined 4 percent from 2002.

In 2003, net income declined significantly. This decline came from lower results in all segments except Europe as well as a significant reduction in gains on disposal of assets and a significant increase in unallocated corporate expenses. The Company allocates corporate operating expenses to its reporting segments based upon estimated time spent related to those segments where a direct relationship is present and based upon segment revenue for general expenses. The unallocated expenses reflect amounts unrelated to segment operations. Allocations are determined at the beginning of the year based upon estimated expenditures and are not adjusted. These items were partially offset by significant declines in re-engineering and impairment charges and net interest expense. Business segment results are discussed in the regional results section. Gains on disposal of assets declined primarily due to the absence of gains recognized in 2002 on the sales of facilities closed as part of re-engineering activities. Refer to re-engineering costs (gains) section for further details. The increase in unallocated expenses from \$20.9 million in 2002 to \$40.5 million in 2003 was due to a significant increase in foreign exchange losses of nearly \$11 million from the Company's program to hedge foreign cash flows as discussed below. Unallocated expenses also rose in 2003 due to an increase in worldwide research and product development costs, executive retirement compensation and a discretionary annual incentive award. Additionally, as discussed in the new pronouncements section, the Company prospectively adopted the fair-value-method of accounting for stock options in 2003. While this change had a minimal impact on 2003 results due to the timing of grants, which were largely awarded late in the year, it is expected to result in an incremental pretax impact of \$2.0 to \$2.5 million in 2004 and further increase in 2005 and 2006 as the cost is phased in over the vesting period and new grants are made. The Company also anticipates an increase in professional fees in 2004 to meet the requirements of the Sarbanes-Oxley Act. These increases are expected to be partially offset by a reduction in corporate departmental spending.

In 2002, the Company began a program to hedge, for the following twelve months, certain foreign cash flows related to the euro, Japanese yen, Korean won and Mexican peso in an effort to provide predictability in net earnings. In the fourth quarter of 2002, the Company elected to terminate the Mexican peso portion of this program as a result of significant declines in Mexican operations and the higher relative cost of the Mexican peso forward contracts, and as a result, recognized a \$1.2 million pretax gain that had been deferred pending the completion of the related transactions. Additionally, as the cost of the remainder of the program increased, the Company determined that the cost of the program exceeded the benefit and no new contracts for the other currencies were entered with maturities subsequent to December 27, 2003. In this program, the Company utilized forward contracts coupled with high-grade U.S. dollar denominated securities. The program hedged foreign cash flows but also had the effect of largely mitigating the foreign exchange impact on the net income comparison between 2003 and 2002. During 2003, the Company incurred net foreign exchange losses of \$15.8 million compared with net losses of \$5.0 million in 2002, which were included in unallocated expenses in both periods.

Included in 2003 results were \$3.7 million of pretax gains (\$2.2 million after tax) on sales of property held for development near the Company's Orlando, Florida headquarters. Also included in 2003 results were re-engineering and impairment charges totaling \$6.8 million pretax (\$3.1 million after tax) related to re-engineering actions taken primarily in the United States, Brazil and Argentina. Specifics of these costs as well as \$20.8 million pretax costs incurred in 2002 are discussed in the re-engineering section following. In comparison, 2002 results included \$14.1 million (\$8.5 million after tax) of net gains from re-engineering actions made up of gains recognized on the sale of facilities closed as part of prior actions less costs incurred to design and implement the actions. Also included in 2002 results were pretax gains of \$10.0 million for sales of Orlando property held for development. These gains exclude a \$4.4 million gain on the sale of the Company's Convention Center complex and \$1.3 million of internal costs for management incentives directly related to the sales program (net after-tax gains of \$5.4 million).

Net sales in 2002 decreased slightly from 2001. Excluding a \$10.3 million favorable impact of foreign exchange, net sales decreased 2 percent from 2001. In local currency, Europe and North America had modest improvement while BeautiControl had significant improvement. Offsetting these improvements was a significant decline in Latin America and a slight decline in Asia Pacific. Also impacting sales was the modification in the distributor model for the United States noted above. At the end of 2002, nearly 70 percent of United States distributors were fully on the new business model that was phased in through 2003, compared with 25 percent at the end of 2001. Excluding the impact of this new model, \$16.2 million, and the impact of foreign exchange, total company net sales declined 3 percent from 2001.

Net income increased significantly in 2002 compared with 2001. Included in the 2002 results were gains on property sales and related incentive costs discussed above. Included in 2001 were \$35.7 million (\$32.5 million after tax) of re-engineering costs which are discussed in the re-engineering section following.

In 2002, unallocated corporate expenses decreased to \$20.9 million from \$23.4 million in 2001. The decrease was primarily due to a reduction in costs related to re-engineering activities as well as the elimination of BeautiControl foreign market development costs. These costs were included in unallocated corporate expenses in 2001 as they were incurred to develop a model for the Company to enter foreign markets with its BeautiControl line of products, whereas all costs were included in the applicable reporting segment in 2002. Also contributing to the decline was a reduction in foreign tax consulting costs and the effect of re-engineering actions implemented in 2001. Partially offsetting these declines were the costs of the foreign cash flow hedging program discussed above as well as internal costs for management incentives directly related to the Company's program to sell land held for development near its Orlando, Florida headquarters.

International operations accounted for 75 percent of the Company's sales and all of its segment profit in 2003. In 2002 and 2001, international operations accounted for 70 percent and 79 percent of the Company's sales, respectively, and 79 percent of its segment profit in both years.

Gross Margin. Gross margin as a percentage of sales declined to 65.3 percent in 2003 compared with 67.2 percent in 2002 and 66.4 percent in 2001. The impact of the change in the U.S. business model discussed above increased gross margin by about 1.6 percentage points in 2003 and 0.6 percentage points in 2002 with a negligible impact in 2001. The decline in 2003 compared with 2002 was due to slight reductions in Europe, Asia Pacific and BeautiControl; a large decline after considering the impact of the new business model in North America; and a large reduction in Latin America. Refer to the regional results section for discussion of the individual segments' margin performance. On an overall basis, the reduction was largely related to unfavorable volume and its impact on manufacturing capacity utilization, inventory usage and product discounting requirements. The discounting impact was predominately in the United States.

The 2002 increase was primarily due to the change in U.S. business model noted above as it increased the sales base without impact to cost of products sold, as well as the absence of a \$3.3 million Latin America inventory write-down in 2001. Within the segments, Europe had an improved margin in 2002 due to favorable raw material prices, reduced overhead spending and an improved mix of products. Latin America's 2002 margin declined due primarily to an unfavorable mix of products and reduced prices due to product discounting in Mexico. The other segments were largely in line with 2001.

Costs and Expenses. Delivery, sales and administrative expense as a percentage of sales was 57.7 percent, 56.7 percent and 54.8 percent, in 2003, 2002 and 2001, respectively. In 2003, the increase was primarily due to an increase in commission expense of about \$20 million related to the business model change in the United States and the increased sales in BeautiControl North America. Also contributing to the increase were higher domestic pension and retiree medical expenses and the favorable resolution of a pre-acquisition contingency in BeautiControl North America in 2002. Partially offsetting these increases was reduced promotional spending in 2003, as 2002 included promotional investments made in Europe, Japan, Korea and Mexico in an effort to maintain sales force activity. While promotional spending in Europe returned to a more normal level in 2003, the elevated level continued in the other markets in 2003, although at a reduced level.

In 2002, the increase was primarily due to higher sales force commissions in the United States as more distributors were transitioned to the new business model discussed above in the net sales section, as well as increased promotional spending earlier in the year in an effort to maintain sales force activity in Europe, Japan, Korea and Mexico. Partially offsetting these increases were the elimination of BeautiControl goodwill amortization, the favorable resolution of a pre-acquisition contingency in BeautiControl and reduced re-engineering consulting costs. Also included in delivery, sales and administrative expenses were \$0.1 million, \$1.6 million and \$4.4 million in 2003, 2002 and 2001, respectively, related to restructuring distribution models in certain countries and, in 2002, \$1.7 million primarily related to costs associated with the closure and disposal of one of the Company's manufacturing/ distribution facilities in Japan.

Re-engineering Costs (Gains). As the Company continuously evaluates its operating structure in light of current business conditions and strives to maintain the most efficient possible cost structure, it implements various actions designed to reduce costs and improve operating efficiency. These actions result in re-engineering costs related to facility downsizing and closure as well as related asset write downs necessary in light of the revised operating landscape. In addition, the Company may recognize gains upon disposal of closed facilities. Over the past three years, the Company has incurred such costs (gains) as detailed below that were included in the following income statement captions (in millions):

	<u>2003</u>	<u>2002</u>	<u>2001</u>
Re-engineering and impairment charges	\$ 6.8	\$ 20.8	\$24.8
Cost of products sold	—	1.1	3.3
Delivery, sales and administrative expense	0.1	3.4	7.6
Gains on disposal of assets	—	(39.4)	—
Total pretax re-engineering costs (gains)	\$ 6.9	\$(14.1)	\$35.7
Total after-tax re-engineering costs (gains)	\$ 3.1	\$ (8.5)	\$32.5

In 2003, the re-engineering and impairment charges included net severance costs of \$2.0 million primarily related to downsizing North American and Brazilian operations and to a lesser degree, the Mexican and Corporate Headquarters staffs. In addition, it incurred impairment charges of \$4.8 million primarily related to a write-down of the Company's former Halls, Tennessee manufacturing facility as well a write down of its net investment in Argentina as a result of a decision to liquidate its legal entity and operate strictly under an importer model. The delivery, sales and administrative expense was for a charge for bad debts related to an adjustment to the Brazilian business model in connection with the downsizing.

Included in 2002 costs were re-engineering and impairment charges of \$20.8 million that provided for severance and other exit costs related to the decision to consolidate certain European finance, marketing and information technology functions and the establishment of regional areas. Also included were severance and impairment charges related to the downsizing of European, Latin American and Japanese manufacturing operations as well as the downsizing of marketing operations in Mexico, Japan, the United Kingdom and BeautiControl. Included in operating expenses was \$0.1 million incurred for internal and external consulting costs to design and execute the re-engineering actions as well as \$3.4 million other operating expenses for the write-down of inventory and reserves for receivables as a result of marketing office restructuring. As part of the program, the Company sold its Spanish manufacturing facility, its Convention Center complex in Orlando, Florida and one of its manufacturing/distribution facilities in Japan and recognized pretax gains totaling \$39.4 million.

Included in 2001 costs were re-engineering and impairment charges of \$24.8 million that provided for severance and other exit costs primarily related to the decision to begin operating Brazil under a mega-distributor model as well as a corporate office restructuring. In addition, \$10.9 million of operating expenses were incurred related to the write-down of inventory and reserves for receivables as a result of restructuring the Brazilian sales and manufacturing operations as well as internal and external consulting costs for designing and implementing re-engineering actions.

For further details of the re-engineering actions, refer to Note 2 to the consolidated financial statements.

In 2004, the Company expects to incur additional costs related to rationalizing worldwide manufacturing operations consistent with its strategy of moving to more third-party sourcing of both core and non-core products. These actions are expected to ultimately result in an improved return on sales.

Tax Rate. The effective tax rates for 2003, 2002 and 2001, were 15.3 percent, 23.3 percent and 25.2 percent, respectively. The rates reflected the impact of re-engineering actions and gains on sale of land for development. In addition, the 2003 rate reflected a significant tax benefit related to the liquidation of the Company's Argentine legal entity. Excluding the impact of re-engineering and impairment costs, portions of which did not result in a tax benefit, and gains on sale of land for development which reflected a tax expense at a higher domestic tax rate, the effective tax rate was 18.5 percent, 19.5 percent and 20.3 percent in 2003, 2002 and 2001, respectively. The decrease from 2002 to 2003 was primarily due to a more favorable mix of income toward lower tax jurisdictions, as well as the establishment of deferred tax assets related to the expected future utilization of foreign income tax credits in the United States. The Company has recognized these deferred tax assets based upon its analysis of the likelihood of realizing the benefits inherent in them and has concluded that it is more likely than not that the benefits will be realized. This assessment was based upon expectations of improving domestic operating results as well as anticipated gains related to the Company's sales of land held for development. In addition, certain tax planning transactions may be entered into to facilitate realization of these benefits. Refer to the critical accounting policies section for additional discussion of the Company's methodology for evaluating deferred tax assets. The decrease from 2001 to 2002, reflected the utilization of additional foreign income tax credits in the United States. A tax rate of 21 to 22 percent is expected for 2004 based upon anticipated improvement in domestic operating results and the absence of the benefit from the Argentine legal entity liquidation.

Net Interest. The Company incurred \$13.8 million of net interest expense in 2003 compared with \$21.8 million in 2002 and \$21.7 million in 2001. The decline in 2003 was due to lower debt levels, the decision to discontinue the Company's foreign cash flow hedging program as discussed in the net income section and net gains on a Japanese yen interest rate swap. Also contributing to the decline was a 2003 adjustment related to prior hedging activity and the benefit of lower short-term interest rates. On July 1, 2003, the Company entered into two interest rate swap agreements on a portion of its long-term debt which were effective September 29, 2003. The Company received premiums totaling approximately \$0.8 million for both agreements. The swap agreements have a total notional amount of \$150 million and expire in 2011. The Company receives semi-annual interest payments at 7.91 percent and makes floating rate interest payments based on the six-month LIBOR rate plus a spread of about 3.7 percentage points. As of the end of 2003, the Company carried about 47 percent of its debt in floating interest rates based upon the terms and the utilization of swap agreements.

The slight increase in 2002 interest was due to the benefit of lower borrowings coupled with lower short-term interest rates offset by increased costs due to the foreign cash flow hedging program discussed above. During the first part of 2002, the Company carried approximately 50 percent of its debt at variable interest rates, based either on its stated terms or through interest rate swap agreements. Effective July 30, 2002, the Company terminated two of its interest rate swap agreements representing notional amounts of \$50 million and \$75 million and generated gains of approximately \$1.7 million and \$3.3 million, respectively. These gains are being recognized as a reduction of net interest expense over the remaining lives of the related debt, approximately 3 and 8 years, respectively. In the fourth quarter of 2001, the Company terminated a swap agreement representing a notional amount of \$75 million and generated a gain of approximately \$5.4 million that is also being recognized as a reduction of net interest expense over the remaining life of the related debt, approximately 8 years. Reflecting current interest rates, debt rating agency downgrades, discussed in liquidity section, which are expected to increase borrowing costs approximately \$0.7 million, and the 2003 inclusion of an adjustment related to prior hedging activity, the Company anticipates that 2004 net interest expense will increase to \$15 to \$16 million.

Regional Results 2003 vs. 2002

(Dollars in millions)	2003	2002	Increase (decrease)		Restated ^a Increase (decrease)	Positive (negative) foreign exchange impact	Percent of total	
			Dollar	Percent			2003	2002
Sales								
Europe	\$ 538.5	\$ 420.8	\$117.7	28%	7%	\$ 82.4	46%	38%
Asia Pacific	220.2	209.5	10.7	5	(2)	16.2	19	19
Latin America	102.6	130.9	(28.3)	(22)	(13)	(13.6)	8	12
North America	222.6	268.4	(45.8)	(17)	(18)	2.1	19	24
BeutiControl N.A.	90.9	73.9	17.0	23	23	—	8	7
	\$1,174.8	\$1,103.5	\$ 71.3	6%	(1)%	\$ 87.1	100%	100%
Segment profit (loss)								
Europe	\$ 110.0	\$ 88.3 ^b	\$ 21.7	25%	6%	\$ 15.8	97%	53%
Asia Pacific	17.6	35.7 ^c	(18.1)	(51)	(55)	3.5	16	21
Latin America	3.1 ^d	6.2 ^d	(3.1)	(50)	(30)	(1.8)	3	4
North America	(22.4)	30.4	(52.8)	nm	nm	0.3	nm	18
BeutiControl N.A.	5.1	5.9	(0.8)	(14)	(14)	—	5	4
	\$ 113.4	\$ 166.5	\$ (53.1)	(32)%	(38)%	\$ 17.8	nm	100%

a. 2003 actual compared with 2002 translated at 2003 exchange rates.

b. Includes \$1.6 million of costs, primarily for the write-down of inventory and reserves for receivables related to restructuring the business model of the Company's United Kingdom operations and a \$21.9 million gain from the sale of the Company's former Spanish manufacturing facility.

c. Includes a \$13.1 million gain from the sale of one of the Company's Japanese manufacturing/distribution facilities as well as \$2.7 million of costs related to the closure and disposal of this facility.

d. Includes \$0.1 million in both 2003 and 2002, of costs for the write-down of inventory and reserves for receivables related to changes in distribution models in certain countries.

nm—Not meaningful.

Europe

The significant increase in sales was primarily due to the strengthening of the euro during the year. The increase in sales beyond the favorable impact of foreign exchange was due to significant increases in Austria, Russia and Germany, the segment's largest market. In 2003, German sales totaled \$228.0 million compared with \$208.0 million in 2002 translated at 2003 exchange rates. This increase was due to strong growth in total sales force over last year. The market ended the year with a double digit percentage sales force size advantage over 2002, which led to an increase in average active sales force over the course of the year. The increase also reflected improved sales force productivity. In Austria, most of the increase was due to a business-to-business transaction with a local grocery chain under which consumers could purchase a limited selection of Tupperware products at a discount if they purchased a prescribed amount of the chain's products. While the Company actively pursues business-to-business sales, sales from this channel are based on reaching agreements with business partners and their product needs, and the Company only pursues arrangements that it expects to benefit its core party plan business. Consequently, activity in one period may not be indicative of future trends. The Company currently anticipates an overall reduction in business-to-business sales in 2004. During 2003, the segment had \$13.8 million of such sales compared with approximately \$11.6 million in 2002, translated at 2003 exchange rates. The Russian sales force size increased substantially during the year and the market was also able to generate strong improvement in sales force activity resulting in a nearly 90 percent increase in average active sales force. This improvement was due to the addition of new distributors and growth by existing distributors generated through strong promotional offerings and training initiatives oriented toward improving activity and productivity. The segment's other major markets also increased sales to a lesser degree. Partially offsetting these increases were declines in Spain and the Central Mediterranean Countries as well as the impact of the Company's decision at the end of last year to suspend its party plan business in the United Kingdom. Based on strong year end 2003 sales force statistics, continued growth is expected in 2004, although at a more moderate rate in light of more difficult comparisons and lower business-to-business sales.

The Company continued to expand integrated direct access (IDA) channel activity that began in 2001. The IDA channels are a convergence of the core party plan business with retail access points, Internet sales and television shopping. These channels, modeled after those developed in the United States, benefit the core party direct selling business through the generation of party and recruiting leads as well as allowing the Company to attract consumers who may not be reached through the traditional party plan. The Company had about 350 retail access points open in Europe at the end of 2003 compared with about 200 at the end of 2002. These efforts contributed to the significant sales force size advantage noted above. There is no Internet selling by the Company in this segment and television shopping has been limited to tests.

The significant increase in segment profit was driven by two primary factors: the stronger euro during the year and the significant sales gains discussed above. Partially offsetting these items and resulting in the modest local currency increase in 2003 was the 2002 recognition of a \$21.9 million pretax gain on the sale of the Company's former Spanish manufacturing facility. In addition, gross margin percentage improved during the year as production volume was up and overhead spending was down. These benefits were partially offset, however, by the sale of a relatively higher proportion of discounted product and the inability to offset through price increases the higher local currency cost of products in non-euro markets. Promotional spending as a percentage of sales was also down for the year as investments made in the first half of 2002 were not repeated. As is the case for sales, the German market accounts for a substantial portion of the segment's profit.

Asia Pacific

Asia Pacific's sales increased modestly due to the weaker U.S. dollar, primarily as it relates to the Australian dollar and the Japanese yen. Excluding the favorable currency impact, sales for the year were down slightly. The decline was primarily due to significant declines in Korea, the Philippines and Taiwan and a modest decline in Japan. Offsetting these items were substantial increases in Australia and India, a sharp increase in China and a strong increase in Malaysia. The Taiwan decline was due to the Company's decision last year to convert the market to an importer. While sales declined, profitability has improved as a result of this change. Korea showed sequential improvement in the fourth quarter and continued to refine a new compensation plan implemented in the first quarter of 2003 to better attract recruits into the business and make the manager level more attractive to overcome the dramatic loss of highly productive managers that originally resulted from a change required by government regulatory actions aimed against the direct selling industry. Although recruiting has been successful, showing a substantial increase in the latter part of 2003, the market continued to face a challenge as a result of the significant reduction in sales force size. The Philippines also showed improvement in the fourth quarter and closed the year with a strong sales force size advantage. In Japan, an unfavorable mix of products as well as discounting some high-priced items was largely responsible for the decline. Australia's increase was a result of increased volume generated by a more productive and slightly larger sales force. The emerging markets of India and China continued to progress as business expansion produced increased volume in both markets, particularly in China which had a substantial increase in the number of outlets open. In China, direct selling is prohibited by law, so the Company reaches consumers through independent store fronts. The Malaysian increase was due to a strong second half that included a business-to-business transaction. First half weakness was largely due to the SARS threat. The market finished the year with a modest increase in sales force size. This advantage, coupled with similar improvement in productivity yielded the volume increase that drove the full-year sales improvement.

While the weaker U.S. dollar versus the Australian dollar and Japanese yen improved the comparison slightly, segment profit for 2003 was down substantially primarily as a result of a \$13.1 million gain recognized in 2002 from the sale of one of the Company's Japanese manufacturing/distribution facilities, partially offset by \$2.7 million of related closure costs. Excluding the impact of these items, Japanese profitability was down significantly due largely to an unfavorable mix of products that negatively impacted the gross margin realized. Also, Indonesia had a significant decline in profit for the year; also due to an unfavorable product mix as well as increased administrative expenses. The segment's margin was further negatively impacted by increased inventory obsolescence charges, primarily in Korea, and increased mold costs. Offsetting these declines were sharp improvements in China and India, as small losses in 2002 compared with 2003 profit as the markets continued to grow and develop economies of scale necessary for sustained profitability. Australia and Malaysia were also up substantially during the year due to the improved sales noted above. In addition, Australia achieved an improved gross margin through the sale of a more favorable mix of products and lower discounting.

The IDA program, which began in the fourth quarter of 2001, continued to progress in Asia Pacific. In the fourth quarter of 2003, the segment had over 1,100 retail access points as compared with about 400 open during 2002's fourth quarter. Most access points were in China which, as noted above, operates in independent store fronts due to local regulations.

In the third quarter of 2003, the Company's direct selling license to operate in Indonesia expired. As a result of a continued delay in anticipated government business regulation, the Company is presently unable to renew its license under its current ownership structure and as a result, is operating without a license. The Company has been in contact with the appropriate Indonesian government officials, as well as other members of the direct selling industry similarly impacted, in an attempt to resolve the situation. However, until any resolution is final, it is possible that the government could order the Company to cease operations in Indonesia, which could materially impact the segment's sales and profit. In such an event, the Company would seek a solution allowing operations to continue during a transition period. If that action proved unsuccessful, the Company would expect to be able to reorganize its operations in a slightly less favorable structure and begin operations again in a period of four to six months.

Latin America

Sales were down significantly in 2003, largely due to a decline in Mexico, by far the segment's largest market, that was due to a stronger U.S. dollar versus the Mexican peso and reduced volume. The volume reduction was largely due to a substantial decline in average active sellers during the year. Partially compensating for these impacts was better pricing as the heavy discounting of 2002 was not repeated in 2003 to the same level. However, for the first time since the second quarter of 2002, the market had a favorable sales comparison to the prior year in the fourth quarter of 2003. Also contributing was a substantial decline in Brazil due to reduced volume with a sales force that was about half the size it was at the end of 2002. Providing a partial offset was a significant increase in Venezuela as a substantial increase in active sellers led to improved volume.

Segment profit in 2003 was half what it was in the prior year, which was also driven by Mexican performance. The stronger U.S. dollar compared with the Mexican peso was partially responsible for the decline as was an unfavorable product mix in Mexico and significantly reduced capacity utilization, as a result of reduced sales volume noted above. Partially offsetting these negative impacts were substantial improvements in Brazil and Venezuela profitability. Despite the reduced sales in Brazil, the market reduced its loss with an improved gross margin due to a better mix of products. As noted earlier in the re-engineering section, the market has also undergone a headcount reduction in the fourth quarter of 2003 in an effort to better align costs with current sales levels. The improved sales in Venezuela noted above resulted in a significant improvement in profitability and the market achieved a profit in 2003 as compared with a loss last year.

Mexico continues work to grow its beauty product business and in 2003, beauty sales accounted for approximately 7 percent of the market's sales. Moving into 2004, the Company anticipates making a continued investment in the beauty line in Mexico in an effort to accelerate the expansion of the beauty business. It is anticipated that it will take two to three years to get to a level of scale that will generate appreciable segment sales and profit growth.

North America

North America had a significant sales decline attributable to both the United States and Canada. The United States sales, as noted earlier, were impacted by the conversion to a new business model which resulted in higher company selling prices offset by increased commission payments. This conversion added approximately \$27 million to the 2003 sales level as compared with 2002 and excluding this impact, sales would have been down 30 percent for the year. This decline was due to a significantly smaller total sales force as well as reduced activity and productivity during the year. The declines in these sales force statistics were partially due to the impact of the Company's relationship with Target and its effect on the core party business. In the fourth quarter of 2002, the Company significantly expanded its relationship with Target Corporation and began selling in over 1,100 Target stores in the United States. Although the sales in this channel exceeded expectations, the scale and positioning of the expanded presence did not mesh well with the party plan business as it did not enhance the sales force's ability to drive Tupperware parties and recruiting. As a consequence, the Company ended its relationship with Target effective September 1, 2003. While efforts to rebuild the sales force continue and yielded improved recruiting in the fourth quarter, a sales force size advantage is not expected until the fourth quarter of 2004. The Company introduced *A Taste of Tupperware* parties in 2003, which are intended to enhance the party experience by making it more fun and interactive. This is expected to improve party attendance and sales and to also make the training and recruiting of sellers easier. In an effort to accelerate acceptance and use of this format, the Company intends to make an increased investment in public relations in 2004 to expand consumer knowledge about the party experience. Experience-based parties have also been introduced in Australia, BeautiControl, France and other markets.

The Company will continue to focus on its non-Target IDA initiatives utilizing retail access points, TV shopping and the Internet to obtain access to more consumer groups, but will limit access to those activities where the sales force can have maximum involvement and interaction with the consumer to remind them of the benefits of the party. Another impact of the lower sales during the year was reduced distributor profitability. This negatively impacted the number of retail access points open in 2003 compared with 2002 as fewer distributors were able to take the financial risk. Additionally, higher mall rent during 2003 exacerbated the situation. The

Company intends to evaluate other, less expensive venues to allow for more affordable retail access point opportunities. During the year, IDA sales represented 11 percent of sales compared with 9 percent last year, excluding Target.

The North American segment loss resulted from the sales decline noted above as well as a significant reduction in gross margin percentage due to aggressive product discounting during 2003 and lower capacity utilization. As noted in the re-engineering section, the segment implemented a headcount reduction in the fourth quarter that, along with other planned actions is expected to improve the cost structure. This, along with a lower level of discounting, is expected to result in \$15 to \$20 million of improved profitability in 2004. Partially offsetting this improvement will be the investment in public relations noted above.

BeutiControl North America

BeutiControl had a significant sales increase for the year, and registered its highest sales year ever, as a strong increase in total sales force as well as improved productivity helped generate increased sales volume. The Company is also experiencing success with an updated group selling concept called *Spa ESCAPE*. This party format emphasizes a customer experience in addition to product demonstration. Further, it is emphasizing multiple ordering opportunities in more one-on-one selling situations to generate increased sales volume. Through continuation of its sales force leadership development program, the Company has improved recruiting by highlighting and incenting the available business opportunity for the sales force.

The decrease in segment profit during the year was due to 2002's inclusion of a \$2.3 million benefit from the favorable resolution of a pre-acquisition contingency. This impact coupled with a lower margin offset the benefit of the increased sales volume. The lower margin was due to a less favorable mix of products due to increased sales of items to support the *Spa ESCAPE* format and more entry kits to support the sales force increase. These items carry a lower margin than traditional product line sales items. The Company has taken actions to improve the margin realized on these types of sales and saw improvement in the latter half of 2003. Excluding the impact of the \$2.3 million benefit noted above, the segment had an improved return on sales during 2003 and is expected to realize further improvement in 2004, excluding the impact of an expected \$1.3 million first quarter charge related to an executive retirement.

Regional Results 2002 vs. 2001

	2002	2001	Increase (decrease)		Restated a Increase (decrease)	Positive (negative) foreign exchange impact	Percent of total	
			Dollar	Percent			2002	2001
<i>(Dollars in millions)</i>								
Sales								
Europe	\$ 420.8	\$ 400.4	\$ 20.4	5%	(1)%	\$ 23.2	38%	36%
Asia Pacific	209.5	213.4	(3.9)	(2)	(3)	1.9	19	19
Latin America	130.9	182.6	(51.7)	(28)	(22)	(14.7)	12	16
North America	268.4	254.2	14.2	6	6	(0.1)	24	23
BeutiControl N.A.	73.9	63.8	10.1	16	16	—	7	6
	\$1,103.5	\$1,114.4	\$(10.9)	(1)%	(2)%	\$ 10.3	100%	100%
Segment profit								
Europe	\$ 88.3 ^b	\$ 74.8	\$ 13.5	18%	9%	\$ 5.9	53%	49%
Asia Pacific	35.7 ^c	28.5	7.2	26	20	1.1	21	19
Latin America	6.2 ^d	15.4 ^d	(9.2)	(60)	(59)	(0.4)	4	10
North America	30.4	32.9	(2.5)	(8)	(8)	—	18	22
BeutiControl N.A.	5.9	0.5	5.4	+	+	—	4	—
	\$ 166.5	\$ 152.1	\$ 14.4	(10)%	5%	\$ 6.6	100%	100%

Footnote explanations are on the following page.

- a. 2002 actual compared with 2001 translated at 2002 exchange rates.
 - b. Includes \$1.6 million of costs, primarily for the write-down of inventory and reserves for receivables related to restructuring the business model of the Company's United Kingdom operations and a \$21.9 million gain from the sale of the Company's former Spanish manufacturing facility.
 - c. Includes a \$13.1 million gain from the sale of one of the Company's Japanese manufacturing/ distribution facilities as well as \$2.7 million of costs related to the closure and disposal of this facility.
 - d. Includes \$0.1 million and \$7.7 million in 2002 and 2001, respectively, of costs primarily for the write-down of inventory and reserves for receivables related to changes in distribution models in certain countries.
- + *Increase of more than 100 %.*

Europe

The modest increase in sales was due to the strengthening of the euro during 2002, particularly in the latter part of the year. In local currency, sales were down slightly. This decrease was due largely to declines in Germany and the Central Mediterranean Countries with lesser declines in France and the United Kingdom also contributing. All of these declines were due to less active sales forces that offset productivity gains and a lower level of initial promotional shipments in December 2002 for January 2003 programs compared with similar shipments in December 2001. In 2002, sales in Germany, the segment's largest market, were \$172.8 million versus \$180.6 million in 2001 translated at 2002 exchange rates. Partially offsetting the impact of these markets were strong gains in Portugal and the Nordics, both of which had larger, more active and more productive sales forces. Additionally, the emerging markets of Turkey and Russia showed strong growth rates. Further offsetting the declines noted above were sales from business-to-business activities. European business-to-business sales totaled \$9.7 million during 2002 as compared with no such sales in 2001. Overall, the slight reduction of European sales was primarily the result of a difficult economic environment in the first half of the year that the Company responded to with increased promotional spending to maintain sales force activity and retain market share. In addition, the Company continued to expand IDA channel activity that began in 2001. These efforts contributed to a five-percent increase in total sales force at the end of 2002. In the fourth quarter of 2002, the Company had nearly 200 retail access points open in Europe as compared with approximately 100 during the fourth quarter of 2001.

The significant increase in segment profit was also due to the strengthening euro as well as to the gain on the sale of the Company's former Spanish manufacturing facility of \$21.9 million. This gain was partially offset by a reduction of \$1.6 million for the write-down of inventory and reserves for receivables as a result of restructuring the business model of the Company's United Kingdom operations. Excluding these items and the impact of foreign exchange, segment profit declined 16 percent for the year. This decline was due in large part to higher promotional expenses in the first half of the year which were partially offset by an insurance recovery for damaged inventory due to a minor equipment failure of approximately \$2.2 million.

Asia Pacific

Asia Pacific's sales were down slightly as strong gains in Australia and the emerging markets of China, India and Indonesia were offset by significant declines in Korea and the Philippines. In addition, in spite of a weak economy, a larger and more productive sales force led Japan, the Company's largest market in the segment, to finish the year with a slight increase in sales. Japan was also buoyed by a better mix of products as a result of a stronger product line up that included more higher-priced items. Australia was strengthened by a sales force that grew more than 13 percent from the end of 2001, and also increased productivity. The emerging markets continued to expand and Indonesia in particular had a substantial increase in productivity. The challenge in Korea centered on government regulatory changes aimed at the direct selling industry, which required a move to an alternate structure and commission model. These changes proved to be very disruptive to the sales force and resulted in a dramatic loss of highly productive managers. A revised compensation program was launched in the first quarter of 2003. In the Philippines, the issue was a significantly lower sales force and the compounding effect of reduced activity. The Company addressed this issue with an expanded product line, focusing on consumable products to supplement the durable nature of the traditional Tupperware line of

products. The Company also addressed this issue with efforts to expand the sales force size, activity and productivity.

Segment profit increased substantially due to a \$13.1 million gain on the sale of one of the Company's manufacturing/distribution facilities in Japan that was closed as part of the re-engineering program. Excluding this gain and related costs of \$2.7 million, profit declined 11 percent. Also excluding the favorable impact of foreign exchange, profit declined 15 percent. This decline was almost exclusively due to the difficulties in Korea and the Philippines discussed above. Both Japan and Australia had substantial profit increases. Australia's increase was due to the reasons mentioned above as well as an improved margin from reduced product costs. Japan benefited from expense reductions from the re-engineering actions taken earlier in the year as well as the absence of the increased fourth quarter promotional expenses incurred in 2001. The favorable foreign exchange impact on both sales and profits was due to a stronger Australian dollar and Korean won.

The IDA program, which began in the fourth quarter of 2001, continued to progress in Asia Pacific. In the fourth quarter of 2002, the segment had nearly 400 retail access points with more than a third of distributors participating as compared with about 300 open during 2001's fourth quarter. Approximately half of the segment's access points related to China.

Latin America

Sales were down significantly both including and excluding the negative foreign exchange impact due to a stronger U.S. dollar versus the Mexican peso, Brazilian real, Venezuelan bolivar and Argentine peso. Contributing to the decline was a change in the distributor model for several markets in the segment as part of the restructuring activities. This change resulted in sales being recorded at a lower amount while also shifting some costs to the distributor resulting in no material impact to segment profit. Excluding this impact, approximately \$9.2 million, and that of negative foreign exchange, sales for the segment were down 17 percent. The segment's decline was primarily due to a weak consumer environment in Mexico. This situation led to challenges with recruiting, activity and productivity of the sales force. The total sales force in the segment was down 12 percent, primarily due to a decline in Mexico, and resulted in decreased sales volume compounded by increased discounting in an effort to maintain sales force activity and retain market share. The late year economic shut down in Venezuela due to the political environment dampened what had been a successful year in the market. Nonetheless, Venezuela had a significant sales increase during the year.

In profits, a significant decline in Mexico resulted in a similar decline for the segment as a whole. The impact of the Mexican drop off was somewhat mitigated by the \$7.7 million of costs in 2001 related to the distribution model changes referred to above. Excluding that impact, segment profit was down 72 percent. The decline in Mexico was a result of the factors discussed above as well as increased promotional spending. The slight foreign exchange impact on profits was due primarily to the weaker Mexican peso partially offset by the impact of the weaker Brazilian real due to a loss recorded in Brazil in 2001. The Company reconfigured its expense base to minimize the negative profit impact of the macroeconomic and political environment of Latin America, particularly in Venezuela, Brazil and Argentina.

North America

North America had a modest sales increase during the year due to an increase in the United States. The increase was due to the modification of the distribution model discussed earlier. Excluding the \$16.2 million impact of this change, North American sales were flat with 2001 as a one-percent increase in the United States was offset by a significant decline in Canada due to reduced volume from a smaller and less active sales force. A disruption to the U.S. business that began in the third quarter due to an unusually high number of distributors being transitioned to the new business model continued into the fourth quarter. As discussed previously, in October 2002, the Company significantly expanded its relationship with Target Corporation and began selling in all Target stores in the United States. This action increased the number of outlets carrying Tupperware products to over 1,100 as compared with 82 at the end of the third quarter. During 2002, the Company suspended a small pilot program using retail access points in Kroger and Fry's grocery stores. Additionally, the business model change for United States distributors reduces distributor expenses and allowed the Company to expand the number of distributors. During the year, the United States had a six-percent net gain in distributors after many years with minimal increases or declining numbers.

The IDA program continued to grow in the United States and in 2002 represented 9 percent of total sales, excluding Target sales, compared with 6 percent

in 2001. For the year, excluding the impact of the new business model change, United States traditional party plan sales were down slightly.

North American segment profit declined compared with 2001 due to a slight decline in the United States and a significant decline in Canada. The United States decline was due largely to the impact of one-time items in the fourth quarter of 2001 related to reduced accounts receivable reserves due to improved business performance and the initial transition to the modified distribution model. The Canadian decline was a result of the sales decline noted above.

BeutiControl North America

Beginning with the first quarter of 2002, the operations of BeutiControl outside North America have been included in the results of the geographic segment in which they operate. Applicable prior year amounts have been restated to reflect this change.

BeutiControl had a significant sales increase for the year. The increase was primarily a result of the strong sales force leadership development program initiated in 2001, along with successful merchandising programs. These programs provided the basis for improved sales force productivity as well as a larger total sales force, which increased 10 percent over 2001.

The increase in segment profit was due to a one-time benefit recorded in the third quarter of 2002 from the favorable resolution of a pre-acquisition contingency of \$2.3 million. The increase also reflected an improved cost structure from the implementation of re-engineering actions and the cessation of goodwill amortization, which totaled \$1.4 million in 2001. The favorable impact of these items was partially offset by higher promotional expenses from the sales force leadership program and a less favorable mix of products.

Financial Condition

Liquidity and Capital Resources.

Working capital increased to \$137.2 million as of December 27, 2003 compared with \$77.1 million as of December 28, 2002 and \$13.8 million as of December 29, 2001. The current ratio was 1.5 to 1 at the end of 2003 compared with 1.3 to 1 at the end of 2002 and 1.0 to 1 at the end of 2001. The 2003 working capital increase was due to increases in cash, inventories, current deferred taxes and other current assets. The buildup of cash was from the cash generated by operations as well as proceeds from asset disposals, largely related to the Company's sale of land for development in Orlando, Florida, and the fact that the majority of the Company's remaining debt does not begin to mature until 2006. The increase in inventories was largely due to the impact of a weaker U.S. dollar, especially against the euro. Also contributing to the increase were increases in the United States, Mexico and BeutiControl. The U.S. and Mexican increases were due to sales falling short of production forecasts while the BeutiControl increase was due to stocking for January 2004 promotional programs. The increase in current deferred taxes reflected an increase in temporary differences generated by the recognition of domestic income for tax purposes. Other current assets increased primarily due to higher recoverable value added taxes in Europe due to a change in legal structure in one jurisdiction and the timing of receipts in others. Also contributing to the increase was higher vendor receivables related to sourcing agreements. The working capital increase was further influenced by declines in accounts payable and short-term debt. The slight decline in accounts payable reflected the offsetting impacts of the weaker U.S. dollar and local currency declines in Japan and the United States due to lower year-end purchases. The reduction in short-term debt reflected the payment of a \$15 million medium-term note that was due in mid-2003.

In 2002, working capital increased due to reduced short-term borrowings and current portion of long-term debt. This reduction was due to debt payments made from operating cash flows as well as the proceeds from the sale of facilities closed as part of the Company's re-engineering program and the sale of land held for development near the Company's Orlando, Florida headquarters. Also contributing was an increase in cash which grew subsequent to the Company paying down all of its outstanding commercial paper borrowings. The impact of these items was partially offset by a significant decline in accounts receivable reflecting increased efforts to more effectively manage outstanding receivables as well as the fact that receivables in 2001 were unusually high which reflected sales from increased December orders in Europe in preparation for a significant promotional period in January of 2002, anticipation of the implementation of the euro currency and the expectation of inclement weather in some countries. These factors were partially offset by the impact of a weaker U.S. dollar.

In addition to an existing \$150 million agreement, on April 30, 2002, the Company entered into a \$100 million line of credit agreement to replace an expiring agreement. Of the \$250 million total, \$150 million expires April 29, 2005 and \$100 million expires on April 27, 2004. Based upon its liquidity projections and negotiations with participating banks about fees and covenants, the Company will likely not seek to renew the facility expiring in 2004. The line of credit agreements require the Company to meet certain financial covenants and subject the Company to a net worth test that would restrict its ability to pay dividends and finance its operations if adjusted consolidated net worth were insufficient to meet the requirements of this test. As of December 27, 2003, the requirement was \$123.7 million and the Company's adjusted consolidated net worth was \$163.3 million. The requirement is increased quarterly by 25 percent of the Company's consolidated net income in that quarter. There is no adjustment for losses. The adjusted consolidated net worth is adjusted for results of operations, primarily with increases for net income and decreases for dividends paid. The covenants also subject the Company to an adjusted earnings to total borrowings ratio which could restrict the Company's access to debt financing. Earnings are adjusted to exclude interest, taxes, depreciation and amortization, and any extraordinary, unusual or non-recurring gains and non-cash charges and are based on a four quarter rolling total. At the end of 2003, the Company had borrowings of \$269.1 million compared with maximum borrowings permitted under the covenants of \$363.8 million. The Company does not anticipate these covenants will restrict its ability to finance its operations.

On December 17, 2003, Standard and Poor's, one of the Company's debt rating agencies, downgraded the Company's long-term corporate credit and senior unsecured debt ratings from BBB- to BB+ and its short-term corporate credit and commercial paper ratings from A3 to B. At the same time, the Company was removed from Credit Watch. This reduction followed a June 6, 2003 downgrade to the previous ratings. Also, on January 12, 2004, the Company's other debt rating agency, Moody's, downgraded the Company's senior unsecured debt to Baa3 and its short-term credit and commercial paper rating to P3 with a stable outlook. As a result of the downgrades, the Company no longer sells commercial paper and satisfies most of its short term financing needs utilizing its revolving line of credit. As of December 27, 2003, the Company had \$245.2 million available under the lines of credit and \$145.0 million of foreign uncommitted lines of credit. The lines of credit, the foreign uncommitted lines of credit, cash generated by operating activities as well as proceeds from the Company's program to sell land for development as discussed below are expected to be adequate to finance working capital needs and capital expenditures.

The Company's major markets for its products are France, Germany, Mexico, Japan and the United States. A significant downturn in the economies of these markets would adversely impact the Company's ability to generate operating cash flows. Operating cash flows would also be adversely impacted by significant difficulties in the recruitment, retention and activity of the Company's independent sales force, as well as a lack of success of new products and promotional programs.

The total debt-to-capital ratio at the end of 2003 was 54.1 percent compared with 61.7 percent at the end of 2002, and the net debt-to-capital ratio was 49.5 percent at the end of 2003 compared with 58.8 percent at the end of 2002. The decreases reflected the payment of the medium-term note discussed above and an increase in equity primarily due to a decline in other comprehensive loss from a generally weaker U.S. dollar, and with respect to net debt-to-total capital, a higher cash balance generated through cash flow from operating activities net of cash outflow from investing activities and dividends paid. Based on debt maturity dates, the Company does not expect any meaningful debt reductions until at least 2006 and expects to have a higher cash balance at the end of 2004. As a result, it believes that the net debt-to-capital ratio presented above represents a more meaningful comparative measure of the Company's cash flow management than total debt-to-capital. It is currently the Company's expectation that it will maintain its current debt/equity mix and that it will seek to refinance, in 2006, all or a portion of the \$100 million notes that are then due.

The following summarizes the Company's contractual obligations at December 27, 2003, and the effect such obligations are expected to have on its liquidity and cash flow in future periods.

Contractual Obligations

	Total	Less than 1 year	1 – 3 years	3 – 5 years	Over 5 years
Commercial paper borrowings	\$ —	\$ —	\$ —	\$ —	\$ —
Other borrowings	4.7	4.7	—	—	—
Long-term debt	263.9	0.9	103.4	3.0	156.6
Domestic pension funding	0.8	0.8	—	—	—
Non-cancelable operating lease obligations	34.5	18.8	12.0	3.5	0.2
Total contractual cash obligations	\$303.9	\$25.2	\$115.4	\$ 6.5	\$156.8

Operating Activities. Cash provided by operating activities was \$105.6 million in 2003 compared with \$128.2 million in 2002 and \$108.8 million in 2001. The 2003 decrease was a result of a lower decrease in accounts receivable following the significant improvement during 2002, a significant increase in net deferred income taxes as a result of temporary differences created by the recognition of domestic income for tax purposes as well as domestic credit carryforward amounts generated by the negative operating results in the United States. Also part of the decrease was a lowering of net value added taxes recoverable at the end of 2002 compared with an increase in the current year as well as the inclusion in 2002 of amounts received upon closing interest rate swap agreements (refer to Note 6 to the consolidated financial statements for a discussion of the swap agreement terminations). Partially offsetting these items was a significant increase in the net settlement of fair value hedge contracts primarily due to the appreciation of the euro relative to the U.S. dollar.

The 2002 increase was primarily due to a significant decrease in accounts receivable versus a significant increase in 2001. This impact was due to increased focus on receivables resulting in lower overdue accounts, more U.S. distributors on the new business model and late 2001 distributor orders in Europe which increased 2001 receivables, but did not recur in 2002 at the same level, as discussed earlier. Also contributing to the increase was an increase in other cash flows during 2002 due primarily to the recovery of import fees on molds in Latin America. Offsetting these amounts was an increase in inventories in 2002 versus a decline in 2001. This change was also due primarily to the impact of the late 2001 distributor orders in Europe which reduced inventories. Also, offsetting the increases was a decline in payables and accruals at the end of 2002 versus an increase at the end of 2001, which largely reflected the timing of accounts payable. Cash flow reflected the payment of \$7.6 million, \$20.3 million and \$10.8 million of re-engineering costs in 2003, 2002 and 2001, respectively.

Investing Activities. For 2003, 2002 and 2001, respectively, capital expenditures totaled \$40.0 million, \$46.9 million and \$54.8 million. The most significant individual component of capital spending was new molds. The decline in 2003 capital spending was due to a generally more conservative spending approach, as well as benefits of centralizing product development oversight at the corporate level and its favorable impact on mold spending. The decline in capital spending in 2002 was due to the inclusion in 2001 of expenditures related to the development of a European data center and shared service center. Capital expenditures are expected to be between \$45 million and \$50 million in 2004.

During 2002, as a result of re-engineering actions, the Company sold its former Spanish manufacturing facility, its Convention Center complex in Orlando, Florida and one of its Japanese manufacturing/distribution facilities. All of these facilities were closed as a result of re-engineering actions and generated combined proceeds of approximately \$45 million. Also in 2002, the Company began to sell land held for development near its Orlando, Florida headquarters totaling approximately 500 acres. Sales during 2002 generated proceeds of approximately \$13 million. During 2003, the Company continued to market this property and generated proceeds of approximately \$5 million. Total proceeds from this program are expected to be between \$80 and \$90 million and the program should be complete by the end of 2006 or 2007. Much of the balance of proceeds from asset disposals relates to the rotation of fleet automobiles in markets where the Company finds it more economical to purchase rather than lease.

Dividends. During 2003, 2002 and 2001, the Company declared dividends of \$0.88 per share of common stock totaling \$51.4 million, \$51.3 million and \$51.1 million, respectively.

Subscriptions Receivable. In October 2000, a subsidiary of the Company adopted a Management Stock Purchase Plan (the MSPP), which provides for eligible executives to purchase Company stock using full recourse loans provided by the subsidiary. Under the MSPP, in 2000, the subsidiary issued full recourse loans for \$13.6 million to 33 senior executives to purchase 847,000 shares. During 2003, there were no new participants to the program and one participant left the Company and sold, at the current market price, 30,100 shares to partially satisfy loans totaling \$0.6 million with the balance of approximately \$0.1 million settled with a cash payment from the participant. During 2002, there were no new participants to the program and 3 participants left the Company and sold, at the current market price, 78,000 shares to the Company to satisfy loans totaling \$1.3 million. During 2001, under the MSPP, 9 senior executives purchased 74,500 shares of common shares from treasury stock using loans from the subsidiary. Total loan value for this group was \$1.7 million. Also, during 2001, 2 participants left the Company and sold, at the current market price, 21,000 shares to the Company to satisfy loans totaling \$0.3 million. Based upon the provisions of the Sarbanes-Oxley Act of 2002, no further loans under this plan will be permitted.

In 1998, the Company made a non-recourse, non-interest bearing loan of \$7.7 million (the loan) to its chairman and chief executive officer (chairman), the proceeds of which were used by the chairman to buy in the open market 400,000 shares of the Company's common stock (the shares). The shares are pledged to secure the repayment of the loan. The loan has been recorded as a subscription receivable and is due November 12, 2006, with voluntary prepayments permitted commencing on November 12, 2002. Ten percent of any annual cash bonus awards are being applied against the balance of the loan. As the loan is reduced by voluntary payments after November 12, 2002, the lien against the shares will be reduced. The subscription receivable is being reduced as payments are received. As of December 27, 2003 and December 28, 2002, the loan balance was \$7.5 million.

Application of Critical Accounting Policies and Estimates

Management's Discussion and Analysis of Financial Condition and Results of Operations is based upon the Company's consolidated financial statements which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported and disclosed amounts. Actual results may differ from these estimates under different assumptions or conditions. The Company believes the following critical accounting policies affect its more significant judgments and estimates used in the preparation of its consolidated financial statements.

Allowance for Doubtful Accounts. The Company maintains current and long-term receivable amounts with most of its independent distributors. The Company regularly monitors and assesses its risk of not collecting amounts owed to it by its customers. This evaluation is based upon an analysis of amounts currently and past due along with relevant history and facts particular to the customer. It is also based upon estimates of distributor business prospects, particularly related to the evaluation of the recoverability of long-term amounts due. This evaluation is performed market by market and account by account based upon historical experience, market penetration levels, access to alternative channels and similar factors. It also considers collateral of the customer that could be recovered to satisfy debts. Based upon the results of this analysis, the Company records an allowance for uncollectible accounts for this risk. This analysis requires the Company to make significant estimates, and changes in facts and circumstances could result in material changes in the allowance for doubtful accounts.

Inventory valuation. The Company writes down its inventory for estimated obsolescence or unmarketable items equal to the difference between the cost of the inventory and the estimated market value based upon estimates of future demand. The demand is estimated based upon the historical success of product lines as well as the projected success of promotional programs, new product introductions and new markets or distribution channels. The Company prepares projections of demand on a product by product basis for all of its products. If the inventory on hand exceeds projected demand, the excess inventory is written down. However, if actual demand is less than projected by management, additional inventory write-downs may be required.

Income Taxes. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases. Deferred tax assets also are recognized for credit carryforwards. Deferred tax assets and liabilities are measured using the enacted rates applicable to taxable income in the years in which the temporary differences are expected to reverse and the credits are expected to be used. The effect on deferred tax assets and liabilities of the change in tax rates is recognized in income in the period that includes the enactment date. An assessment is made as to whether or not a valuation allowance is required to offset deferred tax assets. This assessment requires estimates as to future operating results of as well as an evaluation of the effectiveness of the Company's tax planning strategies. These estimates are made based upon the Company's business plans and growth strategies in each market, and are made on an ongoing basis; consequently, future material changes in the valuation allowance are possible.

Promotional and Other Accruals. The Company frequently makes promotional offers to its independent sales force to encourage them to meet specific goals or targets for sales levels, party attendance, recruiting or other business critical activities. The awards offered are in the form of cash, product awards, special prizes or trips. The cost of these awards is recorded in delivery, sales and administrative expense during the period over which the sales force qualifies for the award. These accruals require estimates as to the cost of the awards based upon estimates of achievement and actual cost to be incurred. The Company makes these estimates on a market by market and program by program basis. It considers the historical success of similar programs, current market trends and perceived enthusiasm of the sales force when the program is launched. During the promotion qualification period, actual results are monitored and changes to the original estimates that are necessary are made when known. Like the promotional accruals, other accruals are recorded at a time when the liability is probable and the amount is reasonably estimable. Adjustments to amounts previously accrued are made when changes in the facts and circumstances that generated the accrual occur.

Valuation of Goodwill. The Company conducts an annual impairment test of its recorded goodwill in the second quarter of each year. Additionally, in the event of a change in circumstances that would lead the Company to believe that an impairment may have occurred, a test would be done at that time as well. The Company's recorded goodwill almost exclusively relates to that generated by its acquisition of BeautiControl in October 2000. As such, the valuation of its goodwill is dependent upon the estimated fair market value of its BeautiControl operations both in North America and overseas. The Company estimates the fair value of its BeautiControl operations using discounted future cash flow estimates. Such a valuation requires the Company to make significant estimates regarding the future operations of BeautiControl and its ability to generate cash flows including projections of revenue, costs, utilization of assets and capital requirements. It also requires estimates in allocating the goodwill to the different segments that include BeautiControl operations, BeautiControl North America, Latin America and Asia Pacific. Lastly, it requires estimates as to the appropriate discounting rates to be used. The results of the 2003 review indicated fair values well in excess of the carrying values of the respective business operations. The most sensitive estimate in this evaluation is the projection of operating cash flows as these provide the basis for the fair market valuation. If operating cash flows were to be 20 percent worse than projected, the Company would still have no goodwill impairment in any segment. If operating cash flows were to be 30 percent worse than projected, the Company would need to calculate a potential impairment as it relates to BeautiControl operations in Latin America and a 50 percent decrement to operating cash flow projections would necessitate calculation of a potential impairment related to North American operations. A significant impairment would have an adverse impact on the Company's net income and could result in a lack of compliance with the Company's debt covenants.

Retirement Obligations. The Company's employee pension and other post-employment benefits (health care) costs and obligations are dependent on its assumptions used by actuaries in calculating such amounts. These assumptions include health care cost trend rates, salary growth, long-term return on plan assets, discount rates and other factors and are determined by the Company's management. The health care cost trend assumptions are based upon historical results, near-term outlook and an assessment of long-term trends. The salary growth assumptions reflect the Company's historical experience and outlook. The long-term return on plan assets are based upon historical results of the plan and investment market overall as well as the Company's belief as to the future returns to be earned over the life of the plans. This discount rate is based upon current yields of AA rated corporate long-term bond yields. These assumptions can have a

material impact on the Company's financial results. For example, a 1 percentage point increase in the Company's health care cost trend rate would have resulted in a \$0.5 million decrease in the Company's pretax earnings for the year and a \$5.6 million increase in its obligation. For each percentage point change in the domestic pension long-term rate of return assumption, pretax earnings would change by approximately \$0.3 million. The Company's key assumptions are indicated in Note 11 to the consolidated financial statements.

Impact of Inflation

Inflation as measured by consumer price indices has continued at a low level in most of the countries in which the Company operates.

Market Risk

One of the Company's market risks is its exposure to the impact of interest rate changes. The Company has elected to manage this risk through the maturity structure of its borrowings, interest rate swaps and the currencies in which it borrows. If short-term interest rates varied by 10 percent, the Company's interest expense for 2003 would have been impacted by approximately \$0.6 million. The above calculation is based upon the Company's 2003 debt mix. The Company has set a target, over time, of having approximately half of its borrowings with extended terms. The Company believes that this target gives it the best balance of cost certainty and the ability to take advantage of market conditions. To move back toward this target after closing previously entered swap agreements to take advantage of market conditions then existing, in mid-2003 the Company entered into the interest rate swap agreements discussed previously in the net interest section.

During 2002, the Company entered an interest rate swap agreement with a notional amount of 6.7 billion Japanese yen that matures on January 24, 2007. The Company pays a fixed rate payment of 0.63 percent semi annually and receives a Japanese yen floating rate based on the LIBOR rate which is determined two days before each interest payment date. This agreement converts the variable interest rate implicit in the Company's rolling net equity hedges in Japan to a fixed rate. While the Company believes that this agreement provides a valuable economic hedge, it does not qualify for hedge accounting treatment under the terms of SFAS 133, "Accounting for Derivative Instruments and Hedging Activities". Accordingly, gains or losses resulting from this agreement are recorded as a component of net interest expense as incurred. Over the life of the swap, any cumulative gains or losses since the inception of the agreement will be reduced to zero. As of the end of 2003, the cumulative loss was approximately \$0.7 million.

A significant portion of the Company's sales and profits come from its international operations. Although these operations are geographically dispersed, which partially mitigates the risks associated with operating in particular countries, the Company is subject to the usual risks associated with international operations. These risks include local political and economic environments, and relations between foreign and U.S. governments.

Another economic risk of the Company, which is associated with its operating internationally, is exposure to fluctuations in foreign currency exchange rates on the earnings, cash flows and financial position of the Company's international operations. The Company is not able to project in any meaningful way the possible effect of these fluctuations on translated amounts or future earnings. This is due to the Company's constantly changing exposure to various currencies, the fact that all foreign currencies do not react in the same manner in relation to the U.S. dollar and the large number of currencies involved, although the Company's most significant exposure is to the euro.

Although this currency risk is partially mitigated by the natural hedge arising from the Company's local product sourcing in many markets, a strengthening U.S. dollar generally has a negative impact on the Company. In response to this fact, the Company uses financial instruments, such as forward contracts, to hedge its exposure to certain foreign exchange risks associated with a portion of its investment in international operations. In addition to hedging against the balance sheet impact of changes in exchange rates, the hedge of investments in international operations also has the effect of hedging a portion of the cash flows from those operations. The Company also hedges with these instruments certain other exposures to various currencies arising from non-permanent intercompany loans and firm purchase commitments. Further, beginning in the first quarter of 2002, the Company initiated a strategy to hedge the annual translation impact of foreign exchange fluctuations between the U.S. dollar and the euro, Japanese yen, Korean won and Mexican peso. This hedging program, which focused on certain cash flows in these currencies,

also had the effect of making the impact of changes in exchange rates on the year-over-year comparison of net income more predictable, although it did not eliminate them. In the fourth quarter of 2002, the Company discontinued this program related to the Mexican peso as declines in the Company's Mexican operations and increased relative interest costs resulted in the benefit of predictability offered by the program no longer outweighing the economic costs. The cessation resulted in immediately recognizing \$1.2 million of gains previously deferred in other comprehensive income as hedged transactions were no longer going to occur. Also in consideration of increased cost, the Company discontinued this program with respect to the other currencies upon the maturity of all existing contracts at the end of 2003.

In order to hedge against the impact of a strengthening U.S. dollar in 2004, on January 19, 2004, the Company entered into ten option agreements to hedge a portion of its net equity investments denominated in euros. The options each have a strike price of approximately 1.18 U.S. dollars to the euro as compared with a market rate of 1.24 U.S. dollars to the euro when the options were contracted. The effect of these options is to protect the value of the Company's euro net equity and the majority of its expected 2004 euro-denominated cash flows with a floor of 1.18 U.S. dollars to the euro by giving the Company the option to sell euros at that value. The options have a combined notional value of approximately \$118 million and expire at various points during 2004. Should the rate stay above the strike price during the course of the year, the Company will allow the options to expire unexercised. At the end of each quarter, the Company will revalue the open options and record any change in the fair value as a component of other comprehensive income. The Company paid approximately \$1.7 million for these options which will be recorded in other expenses during 2004 as part of the revaluation to market.

The Company's program to sell land held for development is also exposed to the risks inherent in the real estate development process. Included among these risks are the ability to obtain all government approvals, the success of buyers in attracting tenants for commercial developments and general economic conditions such as interest rate increases in the Orlando real estate market.

New Pronouncements

The Company adopted the provisions of Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standards (SFAS) 133, "Accounting for Derivative Instruments and Hedging Activities", and SFAS 138 "Accounting for Certain Derivative Instruments and Certain Hedging Activities", as of the beginning of its 2001 fiscal year. These statements establish accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. It requires that an entity recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. If certain conditions are met, a derivative may be specifically designated as a hedge. The accounting for changes in the fair value of a derivative depends on the intended use of the derivative and the resulting designation of the hedge exposure. Depending on how the hedge is used and the designation, the gain or loss due to changes in fair value is reported either in earnings or in other comprehensive loss. Adoption of the statements had no significant impact on the accounting treatment and financial results related to the hedging programs the Company has undertaken. SFAS 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities", issued in April 2003, was adopted without impact in 2003. The Company's outstanding derivative financial instruments are identified in Note 6 to the consolidated financial statements.

In June 2001, the Board issued SFAS 143, "Asset Retirement Obligations", to address financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and associated asset retirement costs. The Company adopted this pronouncement without impact.

In July 2001, the Board issued SFAS 142, "Goodwill and Other Intangible Assets", which superseded Accounting Principles Board Opinion No. 17, "Intangible Assets". This statement addresses how goodwill and other intangible assets should be accounted for after they have been initially recognized in the financial statements. Beginning with fiscal year 2002, the Company no longer amortizes its goodwill, but evaluates it for impairment at least annually. The transition impairment review was completed in the second quarter of 2002 and no impairment charge was necessary. This date also serves as the Company's period for annual impairment testing going forward and the conclusion of the review,

completed in the second quarter of 2003, was also that no impairment charge was necessary. The Company has no other intangible assets impacted by this statement. Goodwill amortization totaled \$1.4 million in 2001. Excluding the amortization, net income would have been \$62.5 million, or \$1.06 per diluted share, for 2001.

The Board also issued, in August 2001, SFAS 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." This statement, which was effective for fiscal years beginning after December 15, 2001, addresses financial accounting and reporting for the impairment of long-lived assets, excluding goodwill and intangible assets, to be held and used or disposed of. The Company adopted this pronouncement in the first quarter of 2002 with no material impact.

In February 2002, the Emerging Issues Task Force issued EITF 01-9, "Accounting for Consideration Given by a Vendor to a Customer (including a Reseller of the Vendor's Products)". The pronouncement requires that cash consideration, including sales incentives, given by a vendor to a customer be presumed to be a reduction of the selling prices of the vendor's products or services and, therefore, characterized as a reduction of revenue when recognized in the vendor's income statement. The Company adopted this pronouncement in the first quarter of 2002 with no material impact.

In July 2002, the Board issued SFAS 146, "Accounting for Exit or Disposal Activities", which addresses significant issues regarding the recognition, measurement and reporting of costs that are associated with exit and disposal costs under EITF 94-3, "Accounting for Restructuring Charges". SFAS 146 was effective for exit or disposal activities that are initiated after December 31, 2002. The Company adopted this standard relative to 2003 activities discussed in the re-engineering section earlier with minimal impact.

In November 2002, the Board issued FASB Interpretation No. (FIN) 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others, an interpretation of SFAS 5, 57 and 107 and Rescission of FASB Interpretation No. 34". FIN 45 clarifies the requirements of SFAS 5, "Accounting for Contingencies", relating to the guarantor's accounting for, and disclosure of, the issuance of certain types of guarantees. Disclosure provisions of FIN 45 were effective for interim or annual periods that ended after December 15, 2002. Provisions for initial recognition and measurement of a liability were effective on a prospective basis for guarantees that were issued or modified after December 31, 2002. The Company has adopted the disclosure and initial recognition and measurement provisions with no material impact.

In December 2002, the Board issued SFAS 148, "Accounting for Stock-Based Compensation—Transition and Disclosure—an amendment of FAS 123" which amends SFAS 123 "Accounting for Stock-Based Compensation", to provide alternative methods of transition for a voluntary change to the fair-value-based method of accounting for stock-based employee compensation. In addition, this Statement amends the disclosure requirements of SFAS 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. This statement was effective for fiscal years ending after December 15, 2002 and was adopted by the Company in fiscal year 2002. The Company adopted the fair-value-based method of accounting for stock options under the provisions of SFAS 123, "Accounting for Stock-Based Compensation", effective with fiscal year 2003. This change, which has been treated prospectively as permitted under SFAS 148, had a minimal impact on 2003 net income but is expected to grow to an annual impact of six to seven cents per share over three years as the cost is phased in over the vesting period and new grants are made.

In January 2003, the Board issued FIN 46, "Consolidation of Variable Interest Entities". FIN 46 was issued to provide guidance in determining if consolidation is required under existing standards or whether the variable interest model under FIN 46 should be used to account for existing and new entities. A revised version, FIN 46R, was issued in December 2003. The revised standard is applicable to all special purpose entities (SPE's) created prior to February 1, 2003 at the end of the first interim or annual period after December 15, 2003. It is applicable to all non-SPE's created prior to February 1, 2003 at the end of the first interim or annual reporting period ending after March 15, 2004. The Company has adopted the effective components of this standard without impact and does not anticipate any impact upon full adoption.

On May 31, 2003, the Board issued SFAS 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity". SFAS 150 changes the accounting for certain financial instruments that, under previous guidance, could be accounted for as equity and requires that those

instruments be classified as liabilities in statements of financial position. It was effective for all financial instruments entered into or modified after May 31, 2003 and otherwise effective at the beginning of the first interim period beginning after June 15, 2003. The Company has adopted the provisions of SFAS 150 without impact.

On December 17, 2003, the Staff of the Securities and Exchange Commission (SEC or the Staff) issued Staff Accounting Bulletin No. 104 (SAB 104), "Revenue Recognition", which superseded SAB 101, "Revenue Recognition in Financial Statements". SAB 104's primary purpose is to rescind accounting guidance in SAB 101 related to multiple element revenue arrangements, superseded as a result of the issuance of EITF 00-21, "Accounting for Revenue Arrangements with Multiple Deliverables" which was effective for revenue arrangements entered into in fiscal periods beginning after June 15, 2003. The Company has adopted the provisions of SAB 104 without impact.

On December 23, 2003, the Board released a revised SFAS 132, "Employer's Disclosure about Pensions and Other Postretirement Benefits". The revised standard provides required disclosure for pensions and other postretirement benefit plans and is designed to improve disclosure transparency in financial statements. It also requires new interim disclosure regarding certain aspects of a company's plans. The standard is effective for domestic plans for fiscal years ending after December 15, 2003 and for interim periods beginning after December 15, 2003. It is effective for foreign plans for fiscal years ending after June 15, 2004 and interim periods beginning after December 15, 2003. The Company has adopted the standard and has included the required disclosures in Note 11 to the consolidated financial statements related to its domestic plans and will adopt the standard's disclosure requirements regarding foreign plans beginning in the first quarter of 2004.

On January 12, 2004, the Board released FASB Staff Position No. FAS 106-1, "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003" (FSP 106-1). SFAS 106, "Employers' Accounting for Postretirement Benefits other than Pensions", requires a company to consider current changes in applicable laws when measuring its postretirement benefit costs and accumulated postretirement benefit obligation. However, because uncertainties may exist for plan sponsors surrounding the effect of provisions of the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the Act) and certain accounting issues raised by the Act are not addressed by SFAS 106, FSP 106-1 allows plan sponsors to elect a one-time deferral of the accounting for the Act. If deferral is elected, it must remain in effect until the earlier of the issuance of guidance by the Board or the remeasurement of plan assets and obligations subsequent to January 31, 2004. The Company has elected the deferral option and required disclosures are included in Note 11 to the consolidated financial statements. For reasons noted in FSP 106-1, the Company is currently unable to reliably determine what, if any, impact the Act may have on its plan.

Forward-Looking Statements

Certain written and oral statements made or incorporated by reference from time to time by the Company or its representatives in this report, other reports, filings with the Securities and Exchange Commission, press releases, conferences or otherwise are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Statements contained in this report that are not based on historical facts are forward-looking statements. Risks and uncertainties may cause actual results to differ materially from those projected in forward-looking statements. The risks and uncertainties include successful recruitment, retention and activity levels of the Company's independent sales force; success of new products and promotional programs; the ability to obtain all government approvals on and generate profit from land development; the success of buyers in attracting tenants for commercial development; economic and political conditions generally and foreign exchange risk in particular; disruptions with the integrated direct access strategies; integration of cosmetics and other non-traditional product lines into Company operations; and other risks detailed in the Company's report on Form 8-K dated April 10, 2001, as filed with the Securities and Exchange Commission.

Investors should also be aware that while the Company does, from time to time, communicate with securities analysts, it is against the Company's policy to disclose to them any material non-public information or other confidential commercial information. Accordingly, it should not be assumed that the Company agrees with any statement or report issued by any analyst irrespective of the content of the confirming financial forecasts or projections issued by others.

Consolidated Statements of Income

	Year Ended		
	December 27, 2003	December 28, 2002	December 29, 2001
<i>(In millions, except per share amounts)</i>			
Net sales	\$ 1,174.8	\$ 1,103.5	\$ 1,114.4
Cost of products sold	408.0	362.6	374.0
Gross margin	766.8	740.9	740.4
Delivery, sales and administrative expense	677.4	625.2	610.4
Re-engineering and impairment charges	6.8	20.8	24.8
Gains on disposal of assets	3.7	49.4	—
Operating income	86.3	144.3	105.2
Interest income	1.8	2.2	2.9
Other income	0.6	—	0.6
Interest expense	15.6	24.0	24.6
Other expense	16.5	5.1	1.9
Income before income taxes	56.6	117.4	82.2
Provision for income taxes	8.7	27.3	20.7
Net income	\$ 47.9	\$ 90.1	\$ 61.5
Net income per common share:			
Basic	\$ 0.82	\$ 1.55	\$ 1.06
Diluted	\$ 0.82	\$ 1.54	\$ 1.04

See Notes to the Consolidated Financial Statements.

Consolidated Balance Sheets

(Dollars in millions, except per share amounts)

	December 27, 2003	December 28, 2002
ASSETS		
Cash and cash equivalents	\$ 45.0	\$ 32.6
Accounts receivable, less allowances of \$25.2 million in 2003 and \$36.6 million in 2002	102.1	103.2
Inventories	160.5	148.2
Deferred income tax benefits, net	59.2	44.1
Prepaid expenses and other	44.6	32.0
Total current assets	411.4	360.1
Deferred income tax benefits, net	136.8	124.8
Property, plant and equipment, net	221.4	228.9
Long-term receivables, net of allowances of \$26.8 million in 2003 and \$12.4 million in 2002	45.4	39.6
Goodwill, net of accumulated amortization of \$1.6 million in 2003 and 2002	56.2	56.2
Other assets, net	18.7	21.0
Total assets	\$ 889.9	\$ 830.6
LIABILITIES AND SHAREHOLDERS' EQUITY		
Accounts payable	\$ 86.0	\$ 89.3
Short-term borrowings and current portion of long-term debt	5.6	21.2
Accrued liabilities	182.6	172.5
Total current liabilities	274.2	283.0
Long-term debt	263.5	265.1
Accrued postretirement benefit cost	36.4	35.7
Other liabilities	87.6	69.3
Commitments and contingencies (Note 14)		
Shareholders' equity:		
Preferred stock, \$0.01 par value, 200,000,000 shares authorized; none issued	—	—
Common stock, \$0.01 par value, 600,000,000 shares authorized; 62,367,289 shares issued	0.6	0.6
Paid-in capital	23.1	22.8
Subscriptions receivable	(20.6)	(21.2)
Retained earnings	529.0	535.3
Treasury stock 3,850,343 and 4,006,381 shares in 2003 and 2002, respectively, at cost	(105.5)	(110.2)
Unearned portion of restricted stock issued for future service	(1.6)	(0.1)
Accumulated other comprehensive loss	(196.8)	(249.7)
Total shareholders' equity	228.2	177.5
Total liabilities and shareholders' equity	\$ 889.9	\$ 830.6

See Notes to the Consolidated Financial Statements.

Consolidated Statements of Shareholders' Equity and Comprehensive Income

	Common stock		Treasury stock		Paid-in capital
	Shares	Dollars	Shares	Dollars	
<i>(In millions, except per share amounts)</i>					
December 30, 2000	62.4	\$ 0.6	4.5	\$(125.5)	\$21.7
Net income					
Other comprehensive loss:					
Foreign currency translation adjustments					
Net equity hedge gain, net of tax provision of \$2.3 million					
Comprehensive income					
Cash dividends declared (\$0.88 per share)					
Stock issued under Management Stock Purchase Plan					1.5
Payments of subscriptions receivable					
Earned restricted stock, net					
Stock issued for incentive plans and related tax benefits			(0.3)	6.9	0.3
December 29, 2001	62.4	0.6	4.2	(117.1)	22.0
Net income					
Other comprehensive income:					
Foreign currency translation adjustments					
Minimum pension liability, net of tax benefit of \$2.2 million					
Net equity hedge loss, net of tax benefit of \$1.0 million					
Deferred loss on cash flow hedges					
Comprehensive income					
Cash dividends declared (\$0.88 per share)					
Payments of subscriptions receivable					
Earned restricted stock, net					
Stock issued for incentive plans and related tax benefits			(0.2)	6.9	0.8
December 28, 2002	62.4	\$ 0.6	4.0	(110.2)	22.8
Net income					
Other comprehensive income:					
Foreign currency translation adjustments					
Minimum pension liability, net of tax benefit of \$0.3 million					
Net equity hedge loss, net of tax benefit of \$4.3 million					
Net settlement of deferred losses on cash flow hedges					
Comprehensive income					
Cash dividends declared (\$0.88 per share)					
Payments of subscriptions receivable					
Earned restricted stock, net					
Stock issued for incentive plans and related tax benefits			(0.1)	4.7	0.3
December 27, 2003	62.4	\$ 0.6	3.9	\$(105.5)	\$23.1

See Notes to the Consolidated Financial Statements.

	Subscriptions receivable	Retained earnings	Unearned Portion of restricted stock issued for future service	Accumulated other comprehensive loss	Total shareholders' equity	Comprehensive income
December 30, 2000	\$ (21.2)	\$ 493.7	\$ (0.4)	\$ (245.0)	\$ 123.9	
Net income		61.5			61.5	\$ 61.5
Other comprehensive loss:						
Foreign currency translation adjustments				(15.7)	(15.7)	(15.7)
Net equity hedge gain, net of tax provision of \$2.3 million				3.5	3.5	3.5
Comprehensive income						\$ 49.3
Cash dividends declared (\$0.88 per share)		(51.1)			(51.1)	
Stock issued under Management Stock Purchase Plan	(1.7)	(0.3)			(0.5)	
Payments of subscriptions receivable	0.4				0.4	
Earned restricted stock, net			0.2		0.2	
Stock issued for incentive plans and related tax benefits		(2.8)			4.4	
December 29, 2001	(22.5)	501.0	(0.2)	(257.2)	126.6	
Net income		90.1			90.1	\$ 90.1
Other comprehensive income:						
Foreign currency translation adjustments				17.4	17.4	17.4
Minimum pension liability, net of tax benefit of \$2.2 million				(3.4)	(3.4)	(3.4)
Net equity hedge loss, net of tax benefit of \$1.0 million				(1.6)	(1.6)	(1.6)
Deferred loss on cash flow hedges				(4.9)	(4.9)	(4.9)
Comprehensive income						\$ 97.6
Cash dividends declared (\$0.88 per share)		(51.3)			(51.3)	
Payments of subscriptions receivable	1.3				1.3	
Earned restricted stock, net			0.1		0.1	
Stock issued for incentive plans and related tax benefits		(4.5)			3.2	
December 28, 2002	(21.2)	535.3	(0.1)	(249.7)	177.5	
Net income		47.9			47.9	\$ 47.9
Other comprehensive income:						
Foreign currency translation adjustments				55.9	55.9	55.9
Minimum pension liability, net of tax benefit of \$0.3 million				(0.4)	(0.4)	(0.4)
Net equity hedge loss, net of tax benefit of \$4.3 million				(6.8)	(6.8)	(6.8)
Net settlement of deferred losses on cash flow hedges				4.2	4.2	4.2
Comprehensive income						\$ 100.8
Cash dividends declared (\$0.88 per share)		(51.4)			(51.4)	
Payments of subscriptions receivable	0.6				0.6	
Earned restricted stock, net			(1.5)		(1.5)	
Stock issued for incentive plans and related tax benefits		(2.8)			2.2	
December 27, 2003	\$ (20.6)	\$ 529.0	\$ (1.6)	\$ (196.8)	\$ 228.2	

See Notes to the Consolidated Financial Statements.

Consolidated Statements of Cash Flows

(in millions)	Year Ended		
	December 27, 2003	December 28, 2002	December 29, 2001
Operating activities:			
Net income	\$ 47.9	\$ 90.1	\$ 61.5
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	52.6	48.8	49.9
(Gain) loss on sale of assets	(3.7)	(46.9)	0.9
Non-cash impact of re-engineering and impairment costs	1.4	1.6	16.1
Changes in assets and liabilities:			
Decrease (increase) in accounts and notes receivable	13.3	34.0	(31.1)
Decrease (increase) in inventories	3.5	(6.6)	4.5
(Decrease) increase in accounts payable and accrued liabilities	(0.6)	(7.7)	10.5
(Decrease) increase in income taxes payable	(5.1)	(3.8)	7.8
(Increase) decrease in net deferred income taxes	(22.4)	7.3	(12.3)
Other, net	(6.5)	10.9	2.1
Net cash impact from fair value hedge activity	25.2	0.5	(1.1)
Net cash provided by operating activities	105.6	128.2	108.8
Investing activities:			
Capital expenditures	(40.0)	(46.9)	(54.8)
Proceeds from disposal of property, plant and equipment	9.4	61.3	—
Net cash (used in) provided by investing activities	(30.6)	14.4	(54.8)
Financing activities:			
Dividend payments to shareholders	(51.4)	(51.2)	(51.0)
Proceeds from private placement debt issuance	—	—	148.8
Proceeds from exercise of stock options	0.9	4.6	3.7
Proceeds from payments of subscriptions receivable	0.6	1.3	0.4
Net increase (decrease) in short-term debt	0.2	(86.8)	(168.8)
Payment of long-term debt	(15.0)	—	—
Net cash used in financing activities	(64.7)	(132.1)	(66.9)
Effect of exchange rate changes on cash and cash equivalents	2.1	3.7	(1.3)
Net increase (decrease) in cash and cash equivalents	12.4	14.2	(14.2)
Cash and cash equivalents at beginning of year	32.6	18.4	32.6
Cash and cash equivalents at end of year	\$ 45.0	\$ 32.6	\$ 18.4
Supplemental disclosure:			
Treasury shares sold for notes receivable	\$ —	\$ —	\$ 1.7

See Notes to the Consolidated Financial Statements.

Notes to the Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies

Principles of Consolidation. The consolidated financial statements include the accounts of Tupperware Corporation and all of its subsidiaries (Tupperware, the Company). All significant intercompany accounts and transactions have been eliminated. The Company's fiscal year ends on the last Saturday of December.

In January 2003, the Financial Accounting Standards Board (FASB, the Board) issued FASB Interpretation No. (FIN) 46, "Consolidation of Variable Interest Entities". FIN 46 was issued to provide guidance in determining if consolidation is required under existing standards or whether the variable interest model under FIN 46 should be used to account for existing and new entities. A revised version, FIN 46R, was issued in December 2003. The revised standard is applicable to all special purpose entities (SPE's) created prior to February 1, 2003 at the end of the first interim or annual period after December 15, 2003. It is applicable to all non-SPE's created prior to February 1, 2003 at the end of the first interim or annual reporting period ending after March 15, 2004. The Company has adopted the effective components of this standard without impact and does not anticipate any impact upon full adoption.

Use of Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Cash and Cash Equivalents. The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. As of December 27, 2003 and December 28, 2002, \$22.1 million and \$8.4 million, respectively, of the cash and cash equivalents included on the consolidated balance sheets were held in the form of time deposits, certificates of deposit, high grade commercial paper, or similar instruments.

Allowance for Doubtful Accounts. The Company maintains current and long-term receivable amounts with most of its independent distributors. The Company regularly monitors and assesses its risk of not collecting amounts owed to it by customers. This evaluation is based upon an analysis of amounts currently and past due along with relevant history and facts particular to the customer. It is also based upon estimates of distributor business prospects, particularly related to the evaluation of the recoverability of long-term amounts due. This evaluation is performed market by market and account by account based upon historical experience, market penetration levels, access to alternative channels and similar factors. It also considers collateral of the customer that could be recovered to satisfy debts. Based upon the results of this analysis, the Company records an allowance for uncollectible accounts for this risk. This analysis requires the Company to make significant estimates and as such, changes in facts and circumstances could result in material changes in the allowance for doubtful accounts. Bad debt expense totaled \$7.6 million, \$10.2 million and \$13.4 million in 2003, 2002 and 2001, respectively.

Inventories. Inventories are valued at the lower of cost or market. Inventory cost includes cost of raw material, labor and overhead. Domestic Tupperware inventories, approximately 16 percent of consolidated inventories at December 27, 2003 and December 28, 2002, are valued on the last-in, first-out (LIFO) cost method. The first-in, first-out (FIFO) cost method is used for the remaining inventories. If inventories valued on the LIFO method had been valued using the FIFO method, they would have been \$11.5 million and \$10.7 million higher at the end of 2003 and 2002, respectively. The Company writes down its inventory for obsolescence or unmarketable items equal to the difference between the cost of the inventory and the estimated market value based upon future demand. The demand is estimated based upon the historical success of product lines as well as the projected success of promotional programs, new product introductions and new markets or distribution channels. The Company prepares projections of demand on a product by product basis. If the inventory on hand exceeds projected demand, the excess is written down to its net realizable value. However, if actual demand is less than projected by management, additional write-downs may be required.

Internal Use Software Development Costs. The Company capitalizes internal use software development costs as they are incurred and amortizes such costs over their estimated useful lives of three to five years beginning when the software is placed in service. These costs are included in property, plant and equipment. Net unamortized costs included in property, plant and equipment were \$19.4 million and \$9.3 million at December 27, 2003 and December 28, 2002, respectively. Amortization cost related to internal use software development costs totaled \$4.2 million, \$2.8 million and \$2.3 million in 2003, 2002 and 2001, respectively.

Property, Plant and Equipment. Property, plant and equipment is initially stated at cost. Depreciation is determined on a straight-line basis over the estimated useful lives of the assets. Generally, the estimated useful lives are 10 to 45 years for buildings and improvements and 3 to 20 years for machinery and equipment. Upon the sale or retirement of property, plant and equipment, a gain or loss is recognized equal to the difference between sales price and net book value. Expenditures for maintenance and repairs are charged to expense.

In August 2001, the Board issued SFAS 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." This statement, which was effective for fiscal year 2002, addresses financial accounting and reporting for the impairment of long-lived assets, excluding goodwill and intangible assets, to be held and used or disposed of. The Company adopted this pronouncement in the first quarter of 2002, with no material impact.

Goodwill. Goodwill represents the excess of cost over the fair value of net assets acquired.

In July 2001, the Board issued SFAS 142, "Goodwill and Other Intangible Assets", which superseded Accounting Principles Board Opinion No. 17, "Intangible Assets". This statement addresses how goodwill and other intangible assets should be accounted for after they have been initially recognized in the financial statements. Beginning with fiscal year 2002, the Company no longer amortizes its goodwill, but evaluates it for impairment at least annually in the second quarter of each year. The Company's recorded goodwill was predominantly generated by its acquisition of BeautiControl in October 2000. The Company uses discounted future cash flow estimates to determine the fair market value of its BeautiControl operations both in North America and overseas. The annual impairment review was completed in the second quarter of 2002 and 2003 and no impairment charge was necessary. The goodwill recorded on the Company's balance sheet at December 27, 2003 was largely included in the BeautiControl North America segment, approximately \$39 million, with smaller amounts included in the Latin America and Asia Pacific segments. The Company has no other intangible assets impacted by this statement. Goodwill amortization totaled \$1.4 million in 2001. Excluding the amortization, net income would have been \$62.5 million, or \$1.06 per diluted share for 2001.

Promotional and Other Accruals. The Company frequently makes promotional offers to its independent sales force to encourage them to fulfill specific goals or targets for sales levels, party attendance, recruiting or other business-critical functions. The awards offered are in the form of cash, product awards, special prizes or trips. The costs of these awards are recorded in delivery, sales and administrative expense during the period over which the sales force qualifies for the award. These accruals require estimates as to the cost of the awards based upon estimates of achievement and actual cost to be incurred. During the qualification period, actual results are monitored and changes to the original estimates that are necessary are made when known.

Like promotional accruals, other accruals are recorded at the time when the liability is probable and the amount is reasonably estimable. Adjustments to amounts previously accrued are made when changes in the facts and circumstances that generated the accrual occur. Tupperware® brand products are guaranteed by Tupperware against chipping, cracking, breaking or peeling under normal non-commercial use for the lifetime of the product. The cost of replacing defective products is not material.

Revenue Recognition. Revenue is recognized when goods are shipped to customers and the risks and rewards of ownership have passed to the customer who, in most cases, is one of the Company's independent distributors. When revenue is recorded, estimates of returns are made and recorded as a reduction of revenue. Discounts earned based on promotional programs in place, volume of purchases or other factors are also estimated at the time of revenue recognition and recorded as a reduction of that revenue.

On December 17, 2003, the Staff of the Securities and Exchange Commission (SEC or the Staff) issued Staff Accounting Bulletin No. 104 (SAB 104), "Revenue Recognition", which superseded SAB 101, "Revenue

Recognition in Financial Statements”. SAB 104’s primary purpose is to rescind accounting guidance in SAB 101 related to multiple element revenue arrangements, superseded as a result of the issuance of EITF 00-21, “Accounting for Revenue Arrangements with Multiple Deliverables” which was effective for revenue arrangements entered into in fiscal periods beginning after June 15, 2003. The Company has adopted the provisions of SAB 104 without impact.

Shipping and Handling Costs. Fees billed to customers associated with shipping and handling are classified as revenue, and related costs are classified as delivery, sales and administrative expense. Costs associated with shipping and handling activities, comprised of outbound freight and associated labor costs, were \$65.9 million, \$70.7 million and \$69.6 million in 2003, 2002 and 2001, respectively.

Advertising and Research and Development Costs. Advertising and research and development costs are charged to expense as incurred. Advertising expense totaled \$5.5 million, \$5.3 million and \$5.9 million in 2003, 2002 and 2001, respectively. Research and development costs totaled \$13.6 million, \$12.0 million and \$13.2 million, in 2003, 2002 and 2001, respectively. Research and development expenses primarily include salaries, contractor costs and facility costs.

Accounting for Stock-Based Compensation. The Company has several stock-based employee and director compensation plans, which are described more fully in Note 12 to the consolidated financial statements. Through 2002, the Company accounted for those plans under the intrinsic value recognition and measurement principles of Accounting Principles Board Opinion No. 25,

“Accounting for Stock Issued to Employees”, and related Interpretations. Effective for fiscal 2003, the Company adopted the fair-value-based method of accounting for stock options under the provisions of SFAS 123, “Accounting for Stock-Based Compensation”, prospectively to all employee awards granted, modified, or settled after December 28, 2002 as permitted under the transition guidance of SFAS 148, “Accounting for Stock-Based Compensation—Transition and Disclosure—an amendment of FAS 123”. Awards under the Company’s plans vest over periods up to seven years. Compensation cost for options that vest on a graduated schedule is recorded over that time period. Therefore, the cost related to the stock-based employee compensation included in the determination of net income for 2003 is less than that which would have been recognized if the fair-value-based method had been applied to all awards since the original effective date of SFAS 123. Compensation expense associated with restricted stock grants is equal to the market value of the shares on the date of grant and is recorded pro rata over the required holding period. Compensation expense associated with restricted stock grants was not significant. The following table illustrates the effect on net income and earnings per share if the fair-value-recognition provisions of SFAS 123, had been applied to stock-based compensation since its effective date.

The fair value of the stock option grants was estimated using the Black-Scholes option-pricing model with the following assumptions: dividend yield of 5.9 percent for 2003 and 3.5 percent for 2002 and 2001 grants; expected volatility of 40 percent for 2003, 27.5 percent for 2002 and 40 percent for 2001; risk-free interest rates of 3.8 percent for 2003, 3.5 percent for 2002 and 4.2 percent for 2001; and expected lives of 8 years for 2003 and 2002 and 5 years for 2001.

	2003	2002	2001
Net Income, as reported	\$47.9	90.1	\$61.5
Add: Stock-based employee compensation expense included in reported net income, net of related tax effects	0.2	—	—
Deduct: Total stock-based compensation expense determined under fair-value-based method for all awards, net of related tax effects	(6.3)	(7.0)	(6.6)
Pro forma net income	\$41.8	\$83.1	\$54.9
Earnings per share:			
Basic—as reported	\$0.82	\$1.55	\$1.06
Basic—pro forma	\$0.72	\$1.43	\$0.95
Diluted—as reported	\$0.82	\$1.54	\$1.04
Diluted—pro forma	\$0.72	\$1.42	\$0.93

Accounting for Exit or Disposal Activities. In fiscal 2003, the Company adopted SFAS 146, “Accounting for Exit or Disposal Activities”, which addresses significant issues regarding the recognition, measurement and reporting of costs that are associated with exit and disposal costs under EITF 94-3, “Accounting for Restructuring Changes”. This standard impacts the timing of recognition of any re-engineering or similar types of cost related to actions begun after adoption of this standard.

Income Taxes. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases. Deferred tax assets also are recognized for credit carryforwards. Deferred tax assets and liabilities are measured using the enacted rates applicable to taxable income in the years in which the temporary differences are expected to reverse and the credits are expected to be used. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. An assessment is made as to whether or not a valuation allowance is required to offset deferred tax assets. This assessment requires estimates as to future operating results as well as an evaluation of the effectiveness of the Company’s tax planning strategies. These estimates are made based upon the Company’s business plans and growth strategies in each market. This assessment is made on an ongoing basis, and consequently, future material changes in the valuation allowance are possible.

Net Income Per Common Share. The financial statements include “basic” and “diluted” per share information. Basic per share information is calculated by dividing net income by the weighted average number of common shares outstanding. Diluted per share information is calculated by also considering the impact of potential common stock on both net income available to common shareholders and the weighted average number of shares outstanding. The Company’s potential common stock consists of employee and director stock options and restricted stock. The common stock elements of the earnings per share computations are as follows:

	2003	2002	2001
Weighted average number of shares used in the basic earnings per share computation	58.4	58.2	58.0
Differences in the computation of basic and diluted earnings per share:			
Potential common stock included in diluted earnings per share	—	0.5	0.9
Potential common stock excluded in diluted earnings per share because inclusion would have been anti-dilutive	9.8	5.4	4.3

Derivative Financial Instruments. The Company recognizes all derivative instruments as either assets or liabilities in the statement of financial position and measures those instruments at fair value. If certain conditions are met, a derivative may be specifically designated as a hedge. The accounting for changes in the fair value of a derivative accounted for as a hedge depends on the intended use of the derivative and the resulting designation of the hedge exposure. Depending on how the hedge is used and the designation, the gain or loss due to changes in fair value is reported either in earnings or in other comprehensive income. Gains or losses that are reported in other comprehensive income eventually are recognized in earnings; with the timing of this recognition governed by SFAS 133, "Accounting for Derivative Instruments and Hedging Activities" and SFAS 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities". SFAS 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities", issued in April 2003, was adopted without impact in 2003.

The Company uses derivative financial instruments, principally over-the-counter forward exchange contracts and local currency options with major international financial institutions, to offset the effects of exchange rate changes on net investments in certain foreign subsidiaries, forecasted purchase commitments and certain intercompany loan transactions. Gains and losses on instruments designated as hedges of net investments in a foreign subsidiary or intercompany transactions that are permanent in nature are accrued as exchange rates change, and are recognized in shareholders' equity, as foreign currency translation adjustments. Forward points associated with these net investment hedges are included in interest expense. Gains and losses on contracts designated as hedges of intercompany transactions that are not permanent in nature are accrued as exchange rates change and are recognized in income. Gains and losses on contracts designated as hedges of identifiable foreign currency firm commitments are deferred and included in the measurement of the related foreign currency transaction. Contracts hedging non-permanent intercompany transactions and identifiable foreign currency firm commitments are held to maturity. The Company also utilizes interest rate swap agreements to convert a portion of its fixed-rate U.S. dollar long-term debt to floating-rate U.S. dollar debt. Changes in the fair value of the swaps resulting from changes in market interest rates are recorded as a component of net income. See Note 6 to the consolidated financial statements.

Foreign Currency Translation. Results of operations for foreign subsidiaries are translated into U.S. dollars using average exchange rates during the year. The assets and liabilities of those subsidiaries, other than those of operations in highly-inflationary countries, are translated into U.S. dollars using exchange rates at the balance sheet date. The related translation adjustments are included in accumulated other comprehensive loss. Foreign currency transaction gains and losses, as well as remeasurement of financial statements of subsidiaries in highly-inflationary countries, are included in income.

Reclassifications. Certain prior year amounts have been reclassified on the consolidated financial statements to conform with current year classifications.

Note 2: Re-engineering Costs (Gains)

The Company continually reviews its business models and operating methods for opportunities to increase efficiencies and/or align costs with business performance. Pretax costs incurred in the re-engineering and impairment charges caption by category were as follows (in millions):

	2003	2002	2001
Severance	\$ 2.0	\$16.6	\$ 6.6
Asset impairment	4.8	1.3	14.4
Other	—	2.9	3.8
Total re-engineering and impairment charges	\$ 6.8	\$20.8	\$24.8

Severance costs related to approximately 170, 340 and 220 employees whose positions were eliminated in 2003, 2002 and 2001, respectively. Actions taken to eliminate these positions resulted from the following decisions: to downsize North American and Brazilian operations and to a lesser degree, the Mexican and Corporate Headquarters staffs in 2003; to consolidate certain European finance, marketing and information technology functions and the establishment of regional areas in 2002; to downsize European, Latin American, and Japanese manufacturing operations in 2002; to downsize marketing operations in Mexico, Japan, the United Kingdom and BeautiControl in 2002; to change distributor models in Latin America in 2001; and to downsize the corporate office and restructure Brazilian manufacturing and distribution operations in 2001.

The 2003 asset impairments were the result of a write-down of the Company's former Halls, Tennessee manufacturing facility, as well as a write-down of its net investment in Argentina operations, comprised primarily of historical translation adjustments, to liquidate its legal entity and operate an importer model; downsizing Japanese marketing and manufacturing operations in 2002; and a decision to reduce the number of data centers and systems, primarily in Europe, in 2001, as well as Latin American distribution model conversion and plant and distribution center closures mainly in Brazil in 2001, as noted above. Total impairment write-downs are based on the excess of book value over the estimated fair market values of the assets impaired. Fair values were determined based on quoted market prices and discounted cash flows. Expenses included in the other category were primarily for non-asset impairment costs of exiting facilities and professional fees associated with accomplishing the re-engineering actions.

Pretax costs incurred (net gains realized) in connection with re-engineering activities included above and in other income statement captions by category were as follows:

<i>(In millions)</i>	2003	2002	2001
Re-engineering and impairment charge	\$ 6.8	\$ 20.8	\$24.8
Cost of products sold	—	1.1	3.3
Delivery, sales and administrative expense	0.1	3.4	7.6
Gains on disposal of assets	—	(39.4)	—
Total pretax re-engineering costs (gains)	\$ 6.9	\$(14.1)	\$35.7

Amounts included in cost of products sold, \$1.1 million and \$3.3 million in 2002 and 2001, respectively, related to inventory write-downs in the United Kingdom as a result of restructuring the Company's marketing operations in 2002; in Japan as a result of the manufacturing/distribution facilities closed in 2002 and in Latin America as a result of the changes in distribution models in 2001.

These actions also resulted in increases in accounts receivable allowances for uncollectible accounts included in delivery, sales and administrative expense in the United Kingdom in 2002 and several Latin American markets, mainly in 2001. There was also a write-down of accounts receivable related to the sale of the Company's Taiwan operation to an independent importer in 2002. In total, bad debt expense related to re-engineering of \$0.1 million in 2003, \$1.6 million in 2002 and \$3.7 million in 2001, were recorded in delivery, sales and administrative expense. Also included in this caption were \$1.5 million of other expenses related to the closing of the Japanese manufacturing/distribution facilities in 2002 and costs totaling \$0.1 million and \$3.9 million in 2002 and 2001, respectively, relating to internal and external consulting costs associated with designing and executing re-engineering projects and other cost saving initiatives.

Additionally, gains on disposal of assets included \$39.4 million in 2002 recognized on the sale of the Company's Spanish manufacturing facility, of its convention center located on its Orlando, Florida headquarters site, and one of its Japanese manufacturing/distribution facilities.

As part of the restructuring of Brazilian operations in 2001, the Company recorded a \$3.2 million valuation allowance for certain deferred tax assets for which realization was no longer more likely than not.

The liability balance, included in accrued liabilities, related to re-engineering and impairment charges as of December 27, 2003 and December 28, 2002 was as follows:

<i>(In millions)</i>	2003	2002
Beginning balance	\$ 8.8	\$ 6.9
Provision	8.9	20.8
Accrual adjustments	(2.1)	—
Cash expenditures:		
Severance	(6.0)	(14.0)
Other	(1.6)	(2.8)
Non-cash asset impairments	(4.8)	(1.3)
Translation impact	1.2	(0.8)
Ending Balance	\$ 4.4	\$ 8.8

During 2003, the Company's estimate of total severance charges of \$16.6 million to be incurred in the 2002 charge was reduced by \$2.1 million as a result of an adjustment in the specific personnel to be impacted by the actions and adjustments to the costs estimated to be ultimately incurred in relation to others. The remaining accrual relates primarily to costs of eliminating positions and is expected to be paid out by the third quarter of 2004.

Note 3: Inventories

<i>(In millions)</i>	2003	2002
Finished goods	\$ 92.9	\$ 81.3
Work in process	20.0	20.2
Raw materials and supplies	47.6	46.7
Total inventories	\$160.5	\$148.2

Note 4: Property, Plant and Equipment

<i>(In millions)</i>	2003	2002
Land	\$ 20.9	\$ 18.6
Buildings and improvements	160.1	148.0
Machinery and equipment	839.5	789.1
Capitalized software	32.1	17.2
Construction in progress	6.7	8.2
Total property, plant and equipment	1,059.3	981.1
Less accumulated depreciation	(837.9)	(752.2)
Property, plant and equipment, net	\$ 221.4	\$ 228.9

Note 5: Accrued Liabilities

<i>(In millions)</i>	2003	2002
Compensation and employee benefits	\$ 54.0	\$ 49.6
Advertising and promotion	27.7	21.3
Taxes other than income taxes	20.6	13.8
Other	80.3	87.8
Total accrued liabilities	\$182.6	\$172.5

Note 6: Financing Arrangements**Debt**

Debt consisted of the following:

<i>(In millions)</i>	2003	2002
7.05% Series Notes due 2003	\$ —	\$ 15.0
7.25% Notes due 2006	100.0	100.0
8.33% Mortgage Note due 2009	5.3	5.3
7.91% Notes due 2011	150.0	150.0
Short-term borrowings	4.7	4.4
Deferred gains on swap terminations	8.2	9.5
Other	0.9	2.1
	269.1	286.3
Less current portion	(5.6)	(21.2)
Long-term debt	\$263.5	\$265.1

<i>(Dollars in millions)</i>	2003	2002
Total short-term borrowings at year-end	\$ 4.7	\$ 4.4
Weighted average interest rate at year-end	1.4%	2.7%
Average short-term borrowings during the year	\$ 53.5	\$109.5
Weighted average interest rate for the year	1.8%	2.4%
Maximum short-term borrowings during the year	\$119.8	\$164.4

The average and maximum borrowings and weighted average interest rates were determined using month-end borrowings and the interest rates

applicable to them. The total \$4.7 million of short-term borrowings was loaned by several banks, with \$1.5 million in U.S. dollars, \$2.6 million in Japanese yen and \$0.6 million in various other currencies.

The mortgage note is a 10-year note amortized over a 22-year period with monthly payments of principal and interest of \$47,988. The note is collateralized by certain real estate having a carrying value of \$6.3 million at December 27, 2003, and a balloon payment of \$4.4 million is due to be paid June 1, 2009. The unsecured notes due in 2006 and 2011 require semiannual payments of interest only with the principal due upon maturity.

The Company has a \$250 million revolving line of credit. Of the \$250 million, \$100 million expires on April 27, 2004 and the remaining \$150 million expires on April 29,

2005. As of December 27, 2003, the Company had \$390.2 million of unused lines of credit, including \$245.2 million under the Company's \$250 million revolving line of credit and \$145.0 million available under the \$148.3 million foreign uncommitted lines of credit. The Company satisfies most of its short term financing needs utilizing its revolving line of credit. Based upon its liquidity projections and negotiations with participating banks about fees and covenants, the Company will likely not seek to renew its facility expiring in 2004. Interest paid on total debt in 2003, 2002 and 2001, was \$15.8 million, \$23.5 million and \$19.5 million, respectively.

The Company's debt agreements require it to meet certain financial covenants and subjects the Company to a net worth test that would restrict its ability to pay dividends and finance its operations if its adjusted consolidated net worth is insufficient to meet the requirements of this test. At December 27, 2003, the requirement was \$123.7 million. The requirement is increased quarterly by 25 percent of the Company's consolidated net income for the quarter. There is no adjustment for losses. The Company's adjusted consolidated net worth balance at the end of 2003 was \$163.3 million. The adjusted consolidated net worth balance is adjusted for results of operations, primarily with increases for net income and decreases for dividends paid. The covenants also subject the Company to an adjusted earnings to total borrowings ratio which could restrict the Company's access to debt financing. Earnings are adjusted to exclude interest, taxes, depreciation and amortization, and any extraordinary, unusual or non-recurring gains and non-cash charges and are based on a four quarter rolling total. At the end of 2003, the Company had borrowings of \$269.1 million compared with maximum borrowings permitted under the covenants of \$363.8 million.

Fair Value of Financial Instruments

Due to their short maturities or their insignificance, the carrying amounts of cash and cash equivalents, accounts and notes receivable, accounts payable, accrued liabilities and short-term borrowings approximated their fair values at December 27, 2003 and December 28, 2002. The approximate fair value of the Company's \$100 million of 7.25 percent notes due in 2006, determined through reference to market yields, was \$108.4 million and \$111.0 million as of December 27, 2003 and December 28, 2002, respectively. The fair value of the Company's \$150 million of 7.91% notes due in 2011, determined through reference to market yields, was \$169.7 million and \$174.4 million as of December 27, 2003 and December 28, 2002, respectively. Included in other debt is a \$0.8 million fair value adjustment for changes in the fair value of the \$150 million notes subsequent to the effective date of the interest rate swap agreements described on the following page. The fair value of the remaining long-term debt approximated its book value at the end of 2003 and 2002.

Derivative Financial Instruments

Following is a listing of the Company's outstanding derivative financial instruments as of December 27, 2003 and December 28, 2002:

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Forward Contracts (Dollars in millions)	2003			2002		
	Buy	Sell	Weighted average contract rate of exchange	Buy	Sell	Weighted average contract rate of exchange
Euros with U.S. dollars	\$213.2		1.2396	\$103.5		1.0257
Mexican pesos with U.S. dollars	51.5		11.3902	64.8		10.7596
Swiss francs with U.S. dollars	29.8		1.2509	69.6		1.4240
Canadian dollars with U.S. dollars	25.0		1.3462	—		—
Japanese yen with U.S. dollars	23.2		107.4769	24.6		121.0580
Australian dollars with U.S. dollars	21.8		0.7363	10.2		0.5646
South Korean won with U.S. dollars	13.8		1207.3320	17.4		1,229.5250
Danish krona with U.S. dollars	12.0		6.0139	7.0		7.2526
Singapore dollars with U.S. dollars	7.8		1.7060	7.4		1.7440
Philippine pesos with U.S. dollars	2.9		57.6392	—		—
Czech koruna with U.S. dollars	1.1		26.1750	—		—
Venezuelan bolivar with U.S. dollars	—		—	1.7		1,487.5000
Japanese yen for U.S. dollars		\$ 71.9	110.3645		\$ 60.0	120.1122
Swiss francs for U.S. dollars		47.5	1.2558		24.7	1.4258
Euros for U.S. dollars		41.2	1.1953		135.3	0.9785
Canadian dollars for U.S. dollars		26.2	1.3458		—	—
Mexican pesos for U.S. dollars		18.5	11.3840		28.6	10.1688
South African rand for U.S. dollars		2.1	6.5442		—	—
Australian dollars for U.S. dollars		1.5	0.6817		—	—
Russian ruble for U.S. dollars		1.4	29.2860		—	—
Swedish krona for U.S. dollars		1.2	7.3160		—	—
Indian rupee for U.S. dollars		1.1	46.0378		—	—
Norwegian krone for U.S. dollars		1.1	6.7365		—	—
South Korean won for U.S. dollars		—	—		5.0	1,286.6132
Philippine pesos for U.S. dollars		—	—		1.1	54.2833
Other currencies	8.6	8.3	Various	6.3	6.8	Various
	<u>\$410.7</u>	<u>\$222.0</u>		<u>\$312.5</u>	<u>\$261.5</u>	

The Company markets its products in over 100 countries and is exposed to fluctuations in foreign currency exchange rates on the earnings, cash flows and financial position of its international operations. Although this currency risk is partially mitigated by the natural hedge arising from the Company's local manufacturing in many markets, a strengthening U.S. dollar generally has a negative impact on the Company. In response to this fact, the Company uses financial instruments to hedge certain of its exposures and manage the foreign exchange impact to its financial statements. At its inception, a derivative financial instrument is designated as either a fair value, cash flow or net equity hedge.

Fair value hedges are entered into with financial instruments such as forward contracts with the objective of controlling exposure to certain foreign exchange risks primarily associated with accounts receivable, accounts payable and non-permanent intercompany transactions. In assessing hedge effectiveness, the Company excludes forward points. The Company has also entered into interest rate swap agreements to convert fixed-rate U.S. dollar long-term debt to floating-rate U.S. dollar debt and the impact is recorded as a component of net income.

On July 1, 2003, the Company entered into two swap agreements effective September 29, 2003 as a hedge of the fair value of its \$150 million 7.91 percent debt due July 2011. Each swap agreement converts a portion of the borrowing from fixed to floating rate interest. The Company received premiums of approximately \$0.8 million for both agreements. Changes in the fair value of the swaps resulting from changes in market interest rates are recorded as a component of net income along with the offsetting changes in the fair value of the related

debt instrument to the extent that the hedge is effective. Ineffectiveness was insignificant in 2003 and is expected to remain so. The swap agreements both mature on July 15, 2011 and each has a notional amount of \$75 million. Under the terms of the swaps, the Company will receive semi-annual interest payments coinciding with the interest payments on the underlying debt of 7.91% and will pay a variable rate based on the 6 month LIBOR rate plus a spread of about 3.7 percentage points. The Company entered two similar agreements during the second quarter of 2003 which the counterparties cancelled prior to becoming effective, and the \$0.6 million premiums received by the Company were deemed to be ineffective and were recognized as other income in that quarter.

Effective July 30, 2002, the Company terminated two interest rate swap agreements having notional amounts of \$50 million and \$75 million and generating gains of approximately \$1.7 million and \$3.3 million, respectively. These gains were capitalized as a component of debt and are being recognized as a reduction of net interest expense over the remaining lives of the related debt, approximately 3 years and 8 years, respectively, as of the end of 2003. Additionally, in the fourth quarter of 2001, the Company terminated a swap agreement having a notional amount of \$75 million and generating a net gain of \$5.4 million. This gain was capitalized as a component of debt and is being recognized as a reduction of net interest expense over the remaining life of the debt of approximately 8 years as of the end of 2003.

The fair value hedging relationships the Company has entered into have been highly effective and the ineffectiveness recognized in other expense for the years 2003, 2002 and 2001 was immaterial.

During the first quarter of 2002, the Company entered into an interest rate swap agreement with a notional amount of 6.7 billion Japanese yen that matures on January 24, 2007. The Company pays a fixed rate payment of 0.63 percent semi annually and receives a Japanese yen floating rate based on the LIBOR rate. This agreement converts the variable interest rate implicit in the Company's rolling net equity hedges in Japan to a fixed rate. While the Company believes that this agreement provides a valuable economic hedge against rising interest rates in Japan, it does not qualify for hedge accounting treatment under SFAS 133, "Accounting for Derivative Instruments and Hedging Activities". Accordingly, changes in the market value of the swap are recorded as a component of interest expense as incurred. Over the life of the swap, any cumulative gains or losses since the inception of the agreement will be reduced to zero. As of December 27, 2003, the cumulative loss was approximately \$0.7 million. A net gain of \$0.3 million and a net loss of \$1.0 million was recorded in net interest expense for the years ended December 27, 2003 and December 28 2002, respectively.

The Company also uses derivative financial instruments to hedge foreign currency exposures resulting from firm purchase commitments or anticipated transactions, and classifies these as cash flow hedges. The Company generally enters into cash flow hedge contracts for periods ranging from three to twelve months. The effective portion of the gain or loss on the hedging instrument is recorded in other comprehensive loss, and is reclassified into earnings as the transactions being hedged are recorded. The associated asset or liability on the open hedge is recorded in other current assets or accrued liabilities as applicable. Approximately \$15.8 million and \$5.0 million was recorded in foreign exchange loss as a component of other expense in 2003 and 2002, respectively. The ineffective portion of the gain or loss on the hedging instrument is recorded in other expense. As of December 27, 2003 and December 28, 2002, the balance in other comprehensive loss was a \$0.7 million and \$4.9 million loss net of tax, respectively. The change in the balance in other comprehensive loss was a net \$4.2 million gain and \$4.9 million loss during the years ended December 27, 2003 and December 28, 2002, respectively. The ineffective portion in other expense was immaterial.

In addition to fair value and cash flow hedges, the Company uses financial instruments such as forward contracts to hedge a portion of its net equity investment in international operations, and classifies these as net equity hedges. For the years 2003, 2002 and 2001, the Company recorded pretax net (losses) gains associated with these hedges of \$(11.0) million, \$(2.6) million and \$5.8 million, respectively, in other comprehensive loss. Due to the permanent nature of the investments, the Company does not anticipate reclassifying any portion of this amount to the income statement in the next 12 months.

The Company's derivative financial instruments at December 27, 2003 and December 28, 2002 consisted solely of the financial instruments summarized above. All of the contracts, with the exception of the interest rate swaps, mature within 12 months. Related to the

forward contracts, the “buy” amounts represent the U.S. dollar equivalent of commitments to purchase foreign currencies and the “sell” amounts represent the U.S. dollar equivalent of commitments to sell foreign currencies, all translated at the year-end market exchange rates for the U.S. dollar. All forward contracts are hedging net investments in certain foreign subsidiaries, cross-currency intercompany loans that are not permanent in nature, or firm purchase commitments.

The Company’s theoretical credit risk for each derivative instrument is its replacement cost, but management believes that the risk of incurring credit losses is remote and that such losses, if any, would not be material. The Company also is exposed to market risk on its derivative instruments due to potential changes in foreign exchange rates; however, such market risk would be substantially offset by changes in the valuation of the underlying items being hedged. For all outstanding derivative instruments, the net accrued loss was \$4.4 million and \$4.2 million, at December 27, 2003 and December 28, 2002, respectively, and was recorded either in accrued liabilities or other assets depending upon the net position of the individual contracts.

In order to hedge against the impact of a strengthening U.S. dollar in 2004, on January 19, 2004, the Company entered into ten option agreements to hedge a portion of its net equity investments denominated in euros. The options each have a strike price of approximately 1.18 U.S. dollars to the euro as compared with a market rate of about 1.24 U.S. dollars to the euro when the options were purchased. The effect of these options is to protect the value of the Company’s euro net equity and cash flows with a floor of 1.18 U.S. dollars to the euro by giving the Company the option to sell euros at the 1.18 value. The options have a combined notional value of approximately \$118 million and expire at various points during 2004. Should the exchange rate stay above that point during the course of the year, the Company will allow the options to expire unexercised. At the end of each quarter, the Company will revalue the open options and record any change in the fair value as a component of other comprehensive income. The Company paid approximately \$1.7 million for these options which will be recorded in other expenses during 2004 as part of the revaluation to market.

Note 7: Investments

In 2002, the Company began a program to hedge, for the following twelve months, certain foreign cash flows generated in euro, Japanese yen, Korean won and Mexican peso. In this program, the Company utilized forward contracts coupled with high-grade U.S. dollar denominated securities. The securities purchased were classified as available-for-sale with gains or losses on these securities recorded as a component of other comprehensive loss until maturity or sale, at which time any accumulated gains or losses were recorded as a component of net income. The forward contracts were considered cash flow hedges as discussed in Note 6 to the consolidated financial statements and gains or losses were recorded as a component of other comprehensive income until the securities were sold. These investment securities had maturities of less than three months and were recorded as a cash equivalent. At December 27, 2003 and December 28, 2002, the Company had no investments outstanding. During 2003 and 2002, the Company sold available-for-sale securities and generated \$105.5 million and \$106.7 million, respectively, of proceeds and recorded in other expense realized losses of \$16.1 million and \$6.2 million, respectively, based upon specific identification.

The program hedged foreign cash flows but also had the effect of largely mitigating the foreign exchange impact on the net income comparison between 2003 and 2002 and between 2002 and 2001. In the fourth quarter of 2002, the Company elected to terminate the Mexican peso portion of this program as a result of significant declines in Mexican operations and the higher relative cost of Mexican peso forward contracts and immediately recognized a \$1.2 million gain in other expense which had been previously deferred. Additionally, as the cost of the program increased, the Company determined that the cost of the program exceeded the benefit and no new contracts for the other currencies were entered with maturities subsequent to December 27, 2003.

Note 8: Subscriptions Receivable

In October 2000, a subsidiary of the Company adopted a Management Stock Purchase Plan (the MSPP), which provides for eligible executives to purchase Company stock using full recourse loans provided by the subsidiary. Under the MSPP, the Company loaned approximately \$13.6 million to 33 senior executives to purchase 847,000 common shares from treasury stock. The loans have annual interest rates of 5.21 percent to 5.96 percent, and all dividends, while the loans are outstanding, will be applied toward interest due. During 2003, one participant left the Company and sold, at current market price, 30,100 shares to the Company to satisfy loans totaling \$0.6 million with the balance of approximately \$0.1 million satisfied with a cash payment from the participant. During 2002, three participants left the Company and sold, at the current market price, 78,000 shares to the Company to satisfy loans totaling \$1.3 million. During 2001, nine senior executives purchased 74,500 shares of common shares from treasury stock. Total loan value for this group was \$1.7 million. During 2001, two participants left the Company and sold, at the current market price, 21,000 shares to the Company to satisfy loans totaling \$0.3 million. Under the terms of the MSPP, if the Company's stock price per share is below the market issue price at the scheduled principal repayment dates, the Company will make cash bonus payments, up to 25 percent of the outstanding principal on the loan then due. For each share purchased, an option on two shares was granted under the 2000 Incentive Plan. See Note 12 to the consolidated financial statements. The loans have been recorded as subscriptions receivable and are secured by the shares purchased. Principal amounts are due as follows: \$2.9 million in 2005; \$3.2 million in 2006; \$0.3 million in 2007; \$6.0 million in 2008 and \$0.7 million in 2009. No further loans or sales of stock are being made under this Plan.

On November 30, 1998, the Company made a non-recourse, non-interest bearing loan of \$7.7 million (the loan) to its chairman and chief executive officer (chairman), the proceeds of which were used by the chairman to buy in the open market 400,000 shares of the Company's common stock (the shares) at an average price of \$19.12 per share. The shares are pledged to secure the repayment of the loan. The loan has been recorded as a subscription receivable and is due November 12, 2006, with voluntary prepayments permitted commencing November 12, 2002. Ten percent of any annual incentive plan cash bonus award to the chairman is being applied against the balance of the loan. As the loan is reduced by voluntary payments after November 12, 2002, the lien against the shares will be reduced. The subscription receivable is reduced as payments are received. In 2000, the loan and related agreements were assigned to a subsidiary of the Company. The outstanding loan balance was \$7.5 million at December 27, 2003 and December 28, 2002.

Note 9: Accumulated Other Comprehensive Loss

	2003	2002
Foreign currency translation adjustments	(204.9)	(260.8)
Net equity hedge gains	12.6	19.4
Minimum pension liability	(3.8)	(3.4)
Deferred loss on cash flow hedges	(0.7)	(4.9)
Total	(196.8)	(249.7)

Note 10: Income Taxes

For income tax purposes, the domestic and foreign components of (loss) income before taxes were as follows:

	2003	2002	2001
Domestic	(29.0)	\$ 61.7	\$37.6
Foreign	85.6	55.7	44.6
Total	\$ 56.6	\$117.4	\$82.2

The (benefit) provision for income taxes was as follows:

	2003	2002	2001
Current:			
Federal	\$ (4.0)	\$ —	\$13.6
Foreign	37.6	17.3	13.2
State	0.6	0.6	1.9
	<u>34.2</u>	<u>17.9</u>	<u>28.7</u>
Deferred:			
Federal	(10.6)	5.0	(4.4)
Foreign	(13.7)	3.8	(3.1)
State	(1.2)	0.6	(0.5)
	<u>(25.5)</u>	<u>9.4</u>	<u>(8.0)</u>
Total	\$ 8.7	\$27.3	\$20.7

The differences between the provision for income taxes and income taxes computed using the U.S. federal statutory rate were as follows:

<i>(In millions)</i>	2003	2002	2001
Amount computed using statutory rate	\$19.8	\$ 41.1	\$ 28.8
(Reduction) increase in taxes resulting from:			
Net benefit from repatriating foreign earnings	(6.4)	(11.3)	(10.1)
Foreign income taxes	(7.5)	1.6	(14.1)
Change in valuation allowance for deferred tax assets	1.5	0.1	8.3
Re-engineering costs with no associated tax benefit	—	—	5.7
Other	1.3	(4.2)	2.1
Total	\$ 8.7	\$ 27.3	\$ 20.7

In 2003, 2002 and 2001, the Company recognized less than \$0.1 million, \$0.8 million and \$0.3 million, respectively, of benefits for deductions associated with the exercise of employee stock options. These benefits were added directly to paid-in capital, and are not reflected in the provision for income taxes.

Deferred tax assets (liabilities) are composed of the following:

<i>(In millions)</i>	2003	2002
Depreciation	\$ (3.3)	\$ (5.5)
Other	(0.8)	(4.4)
Gross deferred tax liabilities	(4.1)	(9.9)
Credit and net operating loss carry forwards	67.8	56.2
Fixed assets basis differences	47.2	51.7
Employee benefits accruals	15.9	15.5
Postretirement benefits	15.6	15.4
Inventory	22.0	8.8
Accounts receivable	8.3	9.3
Other accruals	46.4	46.0
Gross deferred tax assets	223.2	202.9
Valuation allowances	(32.4)	(31.8)
Net deferred tax assets	\$186.7	\$161.2

At December 27, 2003, the Company had foreign net operating loss carry forwards of \$157.3 million. Of the total net operating loss carry forwards, \$82.5 million expire at various dates from 2004 to 2013, while the remainder have unlimited lives. During 2003, the Company recognized net benefits of \$2.4 million related to foreign net operating loss carry forwards. The Company has not provided for U.S. deferred income taxes on \$170.8 million of undistributed earnings of international subsidiaries because of its intention to reinvest these earnings. At December 27, 2003, the Company had foreign tax credit carry forwards of \$6.3 million, which expire in 2008. At December 27, 2003 and December 28, 2002, the Company had valuation allowances against certain deferred tax assets totaling \$32.4 million and \$31.8 million, respectively. These valuation allowances relate to tax assets in jurisdictions where it is management's best estimate that there is not a greater than 50 percent probability that the benefit of the assets will be realized in the associated tax returns. The likelihood of realizing the benefit of deferred tax assets is assessed on an ongoing basis. Consequently, future material changes in the valuation allowance are possible. The Company paid income taxes in 2003, 2002 and 2001 of \$35.7 million, \$20.6 million and \$26.7 million, respectively.

Note 11: Retirement Benefit Plans

Pension Plans. The Company has various defined benefit pension plans covering substantially all domestic employees, except those employed by BeautiControl, and certain employees in other countries. In addition to providing pension benefits, the Company provides certain postretirement healthcare and life insurance benefits for selected U.S. and Canadian employees. Most employees and retirees outside the United States are covered by government healthcare programs. Employees may become eligible for these benefits if they reach normal retirement age while working for the Company and satisfy certain years of service requirements. The medical plans are contributory, with retiree contributions adjusted annually, and contain other cost-sharing features, such as deductibles and coinsurance. The medical plans include an allowance for Medicare for post-65 retirees. In December 2003, the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the Act) was signed into law. The Act provides new prescription drug benefits under Medicare as well as providing for a federal subsidy to be paid to plans that are at least actuarially equivalent to

Medicare in their prescription drug plans. In accordance with the provisions of FASB Staff Position FAS 106-1, "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003", the Company has elected to defer including the impact of the Act in its accumulated benefit obligation or net periodic postretirement benefit cost. The Company is unable to reliably determine any impact of the Act at this time. Detailed regulations defining actuarial equivalency as well as treatment for accounting recognition have not yet been issued. In addition, more time would be required to gather information regarding the number of Medicare-eligible retired plan participants who choose to continue using the Company sponsored plan for prescription benefits. As such, the following disclosures do not reflect the effects of the Act on the postretirement benefit plans.

The specific authoritative guidance on the accounting for the federal subsidy is pending and at such time that guidance is issued, the Company could be required to change previously reported information. On December 23, 2003, the Board released a revised SFAS 132, "Employer's Disclosure about Pensions and Other Postretirement Benefits". The additional disclosure required by the revised standard is included below. Disclosure related to estimated future benefit payments and disclosure of information about foreign plans is effective for fiscal years ending after June 15, 2004 and is not currently available.

The Company has the right to modify or terminate these plans. The Company uses a December 31 measurement date for the majority of its plans. The funded status of the plans was as follows:

	U.S. plans				Foreign plans	
	Pension benefits		Postretirement benefits		Pension benefits	
	2003	2002	2003	2002	2003	2002
<i>(In millions)</i>						
Change in benefit obligations:						
Beginning balance	\$ 35.9	\$ 33.4	\$ 51.5	\$ 45.6	\$ 52.3	\$ 54.9
Service cost	1.6	1.3	0.8	0.5	2.2	2.1
Interest cost	2.4	2.3	3.9	3.4	2.5	2.3
Actuarial (gain) loss	3.3	2.0	13.1	5.5	0.5	(5.2)
Benefits paid	(2.9)	(3.1)	(4.8)	(3.5)	(5.4)	(8.0)
Special termination benefits	—	—	—	—	—	—
Impact of exchange rates	—	—	—	—	8.9	6.2
Ending balance	\$ 40.3	\$ 35.9	\$ 64.5	\$ 51.5	\$ 61.0	\$ 52.3
Change in plan assets at fair value:						
Beginning balance	\$ 20.4	\$ 26.0	—	—	\$ 18.4	\$ 21.5
Actual return on plan assets	4.7	(2.1)	—	—	1.4	(0.7)
Company contributions	3.4	—	4.8	3.5	5.4	2.5
Plan participant contributions	—	—	—	—	0.2	0.2
Benefits and expenses paid	(3.2)	(3.5)	(4.8)	(3.5)	(5.4)	(8.0)
Impact of exchange rates	—	—	—	—	3.4	2.9
Ending balance	\$ 25.3	\$ 20.4	—	—	\$ 23.4	\$ 18.4
Funded status of the plan:						
	\$(14.9)	\$(15.5)	\$(64.5)	\$(51.5)	\$(38.9)	\$(33.9)
Unrecognized actuarial loss (gain)	8.9	8.1	24.6	12.5	(0.4)	4.1
Unrecognized prior service benefit	(0.1)	(0.1)	(1.0)	(1.3)	—	—
Unrecognized net transaction (asset) liability	—	—	—	—	0.2	0.3
Impact of exchange rates	—	—	—	—	(0.1)	0.1
Accrued benefit cost	\$ (6.1)	\$ (7.5)	\$ (40.9)	\$ (40.3)	\$ (39.2)	\$ (29.4)
Weighted average assumptions:						
Discount rate	6.0%	6.8%	6.0%	6.8%	4.1%	4.5%
Return on plan assets	8.5	9.0	n/a	n/a	4.8	5.0
Salary growth rate	4.5	4.5	n/a	n/a	2.7	2.8

The accumulated benefit obligation for all defined benefit pension plans at December 27, 2003 and December 28, 2002 was \$88.3 million and \$74.5 million, respectively. At December 27, 2003 and December 28, 2002, the accumulated benefit obligations of certain pension plans exceeded those plans' assets. For those plans, the accumulated benefit obligations were \$79.6 million and \$65.8 million, and the fair value of those plans' assets were \$37.2 million and \$36.0 million as of December 27, 2003 and December 28, 2002, respectively. The accrued benefit cost for the pension plans is reported in other liabilities.

The costs associated with the plans were as follows:

<i>(In millions)</i>	Pension benefits			Postretirement benefits		
	2003	2002	2001	2003	2002	2001
Components of net periodic benefit cost:						
Service cost and expenses	\$ 4.3	\$ 3.7	\$ 3.4	\$ 0.8	\$ 0.5	\$ 0.4
Interest cost	4.9	4.6	4.7	3.9	3.4	3.2
Expected return on plan assets	(1.9)	(4.5)	(2.1)	0.9	0.3	0.1
Net amortization and (deferral)	(1.5)	1.0	(1.4)	(0.1)	(0.1)	(0.1)
Net periodic benefit cost	\$ 5.8	\$ 4.8	\$ 4.6	\$ 5.5	\$ 4.1	\$ 3.6
Weighted average assumptions:						
U.S. plans						
Discount rate	6.8%	7.3%	7.5%	6.8%	7.3%	7.5%
Return on plan assets	8.5	9.0	9.0	n/a	n/a	n/a
Salary growth rate	4.5	4.5	4.5	n/a	n/a	n/a
Foreign plans						
Discount rate	4.5%	4.6%	4.7%	n/a	n/a	n/a
Return on plan assets	5.0	5.1	5.2	n/a	n/a	n/a
Salary growth rate	2.8	2.8	2.3	n/a	n/a	n/a

The overall long-term rate-of-return-on-assets for the U.S. pension plans was chosen from the range of likely results of compound average annual returns over a 20-year time horizon. The range was calculated by modeling a probable rate-of-return based on historical data for the period 1926-2002 for stocks, bonds and cash and was applied to the Company's current target asset mix for the plan.

The assumed healthcare cost trend rate was 9.0 percent for post-65 participants, decreasing to 5.0 percent in 2008, and 7.0 percent for pre-65 participants, decreasing to 5.0 percent in 2006. The healthcare cost trend rate assumption has a significant effect on the amounts reported. A one percentage point change in the assumed healthcare cost trend rates would have the following effects:

<i>(In millions)</i>	One percentage point	
	Increase	Decrease
Effect on total of service and interest cost components	\$ 0.5	\$ (0.4)
Effect on postretirement benefit obligation	5.6	(5.0)

The Company's U.S. pension plan weighted-average asset allocations at December by asset category were as follows:

Asset Category	2003	2002
Equity securities	63%	57%
Debt securities	37	42
Other	—	1
Total	100%	100%

The Company's specific return objective on its U.S. pension plan is to achieve each year a return greater than or equal to the return that would have been earned by a portfolio invested approximately 60% in equity securities and 40% in fixed income securities. The Company has adopted the following asset class allocations for its U.S. pension plan: 62% in equity securities (32% large U.S. stocks, 20% small U.S. stocks, and 10% international stocks) and 38% fixed income securities (37% bonds and 1% U.S. cash equivalents). At each quarter end, the asset classes may be rebalanced to obtain the target asset mix if the percentages fall outside of the acceptable range variances. The investment policy is reviewed from time to time to ensure consistency with the long-term objective of funding at least 90 percent of the plan's current liability. Options, derivatives, forwards, futures contracts, short positions, or margined positions may be held in reasonable amounts as deemed prudent. Transactions that would jeopardize the tax-exempt status of the plan are not allowed. Lending of securities may be permitted in cases in which an appropriate gain can be realized. The Company does not invest in any of its own company stock, however, this restriction does not prevent investment in insurance company accounts, other commingled or mutual funds, or any index funds which may hold securities of the Company. Additional guidelines for investment managers selected by the Company to manage the equity securities prohibit the securities of one company or affiliated group, other than U.S. government securities, to exceed 10 percent of the portfolio and that no more than 20 percent of a separately managed portfolio be invested in any one industry, unless that industry represents greater than 20 percent of the benchmark market index. International equity investments shall be diversified by country and industry and primarily include securities listed on significant exchanges. Equity portfolios may include a small portion of convertible bonds and preferred stock but these securities do not substitute as bonds within the portfolios. Investment managers selected by the Company to manage the fixed income investments are also prohibited from holding more than 10 percent in any one company or affiliated group of companies, other than U.S. government securities, and prohibited from holding more than 20 percent in any one industry. In addition, no more than 20 percent of the fixed income portfolio may be invested in foreign securities and no more than 20 percent of the portfolio may be invested in below investment grade securities.

The Company expects to contribute \$0.8 million to its U.S. pension plans and \$4.5 million to its U.S. postretirement medical benefit plan to cover net benefit payments in 2004.

The Company also has several savings, thrift and profit-sharing plans. Its contributions to these plans are based upon various levels of employee participation. The total cost of these plans was \$4.6 million in 2003, \$4.7 million in 2002 and \$5.0 million in 2001.

Note 12: Incentive Compensation Plans

Incentive Plans. Certain officers and other key employees of the Company participate in the Tupperware Corporation 2002, 2000 and 1996 Incentive Plans (the Incentive Plans). Annual performance awards and awards of options to purchase Tupperware shares and of restricted stock are made under the Incentive Plans. For the 2002 Incentive Plan, the total number of shares available for grant was 2,850,000 of which 200,000 shares may be used for restricted stock awards. For the 2000 Incentive Plan, the total number of shares available for grant was 4,000,000 of which 200,000 shares may be used for restricted stock awards. For the 1996 Incentive Plan, the total number of shares available for grant was 7,600,000 of which 300,000 shares may be used for restricted stock awards. As of December 27, 2003, shares available for award under the Incentive Plans totaled 2,376,362, of which 346,844 could be granted in the form of restricted stock. For options granted in 2001, approximately 0.1 million shares under options were granted in conjunction with the MSPP. See Note 8 to the consolidated financial statements.

Other than the 157,118 options exchanged for certain BeautiControl options in connection with its acquisition in 2000, all options' exercise prices are equal to the underlying shares' grant-date market values. Outstanding options granted in 2003 vest in one-third increments over the next three years from the date of grant. Other than options on 25,000 shares which vest three years from the date of grant, outstanding options granted in 2002 vest in one-third increments over the next three years from the date of grant. Other than those options granted under the MSPP, outstanding options granted in 2001 have vesting dates that are three years from the date of grant. Options granted under the MSPP vest seven years after the date of grant; however, vesting may be accelerated beginning three years after the grant date if certain stock appreciation goals are attained. As

of December 27, 2003, there has been no acceleration of vesting. Outstanding restricted shares have initial vesting periods ranging from 1 to 4 years. All outstanding options have exercise periods that are 10 years from the date of grant.

Director Plan. Under the Tupperware Corporation Director Stock Plan (Director Plan), non-employee directors receive one-half of the amount of their annual retainers in the form of stock and may elect to receive the balance of their annual retainers in the form of stock or stock options. Options granted to directors become exercisable on the last day of the fiscal year in which they are granted, have a term of 10 years and have an exercise price that compensates for the foregone cash retainer. In addition, beginning in fiscal 2002 each non-employee director on the date of the Company's annual meeting of shareholders receives an automatic annual stock option grant. This option entitles the director to purchase four thousand shares of the Company's common stock at a price equal to the fair market value of the Company's common stock on the date of the grant in order to compensate the directors at a competitive level with directors of comparable companies. This option may be exercised immediately and for a ten-year period from the date of grant. Beginning in 2003, stock options granted have been expensed under the fair-value-based method. See Note 1 to the consolidated financial statements. The number of shares initially available for grant under the Director Plan and the number of shares available as of December 27, 2003, were 300,000 and 89,899, respectively.

Earned cash performance awards of \$7.6 million, \$4.4 million and \$4.7 million were included in the consolidated statement of income for 2003, 2002 and 2001, respectively.

Stock option and restricted stock activity and information about stock options for the Incentive Plans and the Director Plan are summarized in the following tables.

Stock options	Shares subject to option	Weighted average option price per share	Options exercisable at year end	Weighted average option price per share
Balance at December 30, 2000	9,370,325	\$ 20.95		
Granted	1,583,900	20.88		
Canceled	(215,933)	25.47		
Exercised	(235,634)	15.49		
Balance at December 29, 2001	10,502,658	20.92	3,133,308	\$ 25.70
Granted	1,296,830	16.43		
Canceled	(737,883)	24.91		
Exercised	(342,245)	14.75		
Balance at December 28, 2002	10,719,360	20.32	4,324,480	23.72
Granted	682,300	14.61		
Canceled	(793,755)	22.22		
Exercised	(66,528)	13.31		
Balance at December 27, 2003	10,541,377	19.87	6,087,914	21.70

Restricted stock	Shares outstanding	Shares available for issuance
Balance at December 30, 2000	65,000	238,693
Shares transferred from stock option pool		48,257
Shares transferred to stock option pool		(199,224)
Awarded	3,000	(3,000)
Vested	(44,000)	
Balance at December 29, 2001	24,000	84,726
Increase in shares available due to adoption of 2002 Incentive Plan		200,000
Shares transferred from stock option pool		114,618
Shares transferred to stock option pool		(25,000)
Awarded	5,000	(5,000)
Canceled	(1,000)	1,000
Vested	(9,000)	
Balance at December 28, 2002	19,000	370,344
Shares transferred from stock option pool		84,500
Awarded	108,000	(108,000)
Vested	(5,000)	
Balance at December 27, 2003	122,000	346,844

Stock Options Outstanding

As of December 27, 2003

Exercise price range	Outstanding			Exercisable	
	Shares	Average remaining life	Average exercise price	Shares	Average exercise price
\$ 8.40 – \$ 12.08	58,350	6.2	\$ 9.81	58,350	\$ 9.81
\$13.31 – \$ 16.23	3,542,302	7.6	15.74	514,439	15.74
\$18.56 – \$ 25.55	6,027,916	5.7	19.74	4,602,316	19.40
\$27.25 – \$ 34.28	475,084	1.6	32.95	475,084	32.95
\$39.88 – \$ 42.25	437,725	2.3	42.24	437,725	42.24
	10,541,377	6.0	19.87	6,087,914	21.70

Through 2002, the Company used the intrinsic value method of accounting for stock-based compensation. Beginning in 2003, the Company used the fair-value-based method of accounting for stock-based compensation. The Company has estimated the fair value of its option grants. The weighted average fair value of 2003 grants was \$3.49 per share under option. See Note 1 to the consolidated financial statements for pro forma presentation had fair value estimates been used to record compensation expense in the consolidated statements of income for the earlier years' grants. Compensation expense associated with restricted stock grants is equal to the fair market value of the shares on the date of grant and is recognized ratably over the required holding period. Compensation expense associated with restricted stock grants was not significant.

Note 13: Segment Information

The Company manufactures and distributes products primarily through independent direct sales consultants: (1) food storage, preparation and serving containers, kitchen gadgets, microwave cookware and educational toys marketed under the Tupperware brand worldwide, and organized into four geographic segments, and (2) premium cosmetics and skin care products marketed under the BeautiControl brand in North America, Latin America and Asia Pacific. Certain international operating segments have been aggregated based upon consistency of economic substance, products, production process, class of customers and distribution method. International BeautiControl operations are reported in the applicable geographic segment.

As a result of a change in management reporting structures, effective with the beginning of the Company's 2002 fiscal year, the Company is reporting the United States and Canada as a Tupperware North America business segment and BeautiControl operations outside North America have been included in their respective geographic segments. Prior year amounts have been restated to reflect this change.

(In millions)	2003	2002	2001
Net sales:			
Europe	\$ 538.5	\$ 420.8	\$ 400.4
Asia Pacific	220.2	209.5	213.4
Latin America	102.6	130.9	182.6
North America	222.6	268.4	254.2
BeautiControl North America	90.9	73.9	63.8
Total net sales	\$1,174.8	\$1,103.5	\$1,114.4
Segment profit (loss) :			
Europe	\$ 110.0	\$ 88.3 ^a	\$ 74.8
Asia Pacific	17.6	35.7 ^a	28.5
Latin America	3.1 ^a	6.2 ^a	15.4
North America	(22.4)	30.4	32.9
BeautiControl North America	5.1	5.9	0.5
Total segment profit	113.4	166.5	152.1
Unallocated expenses	(40.5) ^b	(20.9) ^{a,b}	(23.4)
Other income	4.3 ^b	14.4 ^b	—
Re-engineering and impairment charges	(6.8) ^a	(20.8) ^a	(24.8)
Interest expense, net	(13.8)	(21.8)	(21.7)
Income before income taxes	\$ 56.6	\$ 117.4	\$ 82.2
Depreciation and amortization:			
Europe	\$ 23.1	\$ 16.8	\$ 16.0
Asia Pacific	7.4	7.6	8.5
Latin America	7.6	8.2	9.0
North America	11.6	12.5	11.0
BeautiControl North America	1.3	1.4	2.7
Corporate	1.6	2.3	2.7
Total depreciation and amortization	\$ 52.6	\$ 48.8	\$ 49.9
Capital expenditures:			
Europe	\$ 18.2	\$ 16.6	\$ 16.5
Asia Pacific	5.9	9.2	7.7
Latin America	2.9	4.4	7.6
North America	9.0	12.3	13.5
BeautiControl North America	1.2	1.5	1.0
Corporate	2.8	2.9	8.5
Total capital expenditures	\$ 40.0	\$ 46.9	\$ 54.8
Identifiable assets:			
Europe	\$ 273.1	\$ 233.9	\$ 233.5
Asia Pacific	125.5	121.5	117.5
Latin America	102.3	112.7	133.9
North America	150.0	159.3	156.5
BeautiControl North America	66.5	64.4	64.8
Corporate	172.5	138.8	139.5
Total identifiable assets	\$ 889.9	\$ 830.6	\$ 845.7

Footnote explanations are on the following page.

- a. The re-engineering and impairment charges line provides for severance and other exit costs. In addition, unallocated expenses include \$0.1 million and \$3.2 million for internal and external consulting costs incurred in connection with re-engineering in 2002 and 2001, respectively. In 2002, \$1.6 million was recorded as a reduction of Europe segment profit related to the write down of inventory and reserves for receivables as a result of exiting the direct sales business of the Company's United Kingdom operations. Also, 2002 Asia Pacific segment profit was reduced by \$2.7 million related to costs associated with the closure of one of the Company's Japanese manufacturing/distribution facilities. In addition, \$0.1 million was recorded as a reduction of Latin America segment profit primarily as a result of reserves for receivables as a result of a restructure of BeautiControl operations in Mexico. As part of re-engineering actions, in 2002, the Company sold its former Spanish manufacturing facility, its Convention Center complex in Orlando, Florida and one of its Japanese manufacturing/distribution facilities generating pretax gains of \$21.9 million, \$4.4 million and \$13.1 million, respectively. The Spanish and Japanese gains were included in the Europe and Asia Pacific segments, respectively, and the Convention Center gain was recorded in other income in the preceding table. In 2001, \$7.7 million was recorded as a reduction in Latin America segment profit primarily related to the write down of inventory and reserves for receivables as a result of restructuring Brazilian sales and manufacturing operations. Total after-tax impact of these costs (gains) was \$3.1 million, \$(8.5) million and \$32.5 million in 2003, 2002 and 2001, respectively. See Note 2 to the consolidated financial statements.
- b. In 2002, the Company began to sell land held for development near its Orlando, Florida headquarters. During 2003 and 2002, pretax gains from these sales were \$3.7 million and \$10.0 million, respectively, and are recorded in other income in the preceding table. Internal costs for management incentives directly related to these sales were \$0.2 million and \$1.4 million in 2003 and 2002, respectively, and were recorded in unallocated expenses.

Sales and segment profit in the preceding table are from transactions with customers. Inter-segment transfers of inventory are accounted for at cost. Sales generated by product line are not captured in the financial statements and disclosure of the information is impractical. Sales to a single customer did not exceed 10 percent of total sales in any segment. Export sales were insignificant. Sales to customers in Germany were \$228.0 million, \$172.8 million and \$170.4 million in 2003, 2002 and 2001, respectively. There was no other foreign country in which sales were material to the Company's total sales. Sales of Tupperware and BeautiControl products to customers in the United States were \$297.2 million, \$326.1 million and \$298.4 million in 2003, 2002 and 2001, respectively. Unallocated expenses are corporate expenses and other items not directly related to the operations of any particular segment.

Corporate assets consist of cash, buildings and assets maintained for general corporate purposes. The United States was the only country with long-lived assets greater than 10 percent of the Company's total assets at December 27, 2003. As of the end of 2003, 2002 and 2001, respectively, long-lived assets in the United States were \$106.8 million, \$110.5 million and \$106.0 million.

As of December 27, 2003 and December 28, 2002, the Company's net investment in international operations was \$23.3 million and \$10.1 million, respectively. The Company is subject to the usual economic risks associated with international operations; however, these risks are partially mitigated by the broad geographic dispersion of the Company's operations.

Note 14: Commitments and Contingencies

The Company and certain subsidiaries are involved in litigation and various legal matters that are being defended and handled in the ordinary course of business. Included among these matters are environmental issues. The Company believes that it is remote that the Company's contingencies will have a material adverse effect on its financial position, results of operations or cash flow.

Kraft Foods, Inc., which was formerly affiliated with Premark International, Inc., the Company's former parent, and Tupperware, has assumed any liabilities arising out of certain divested or discontinued businesses. The liabilities assumed include matters alleging product liability, environmental liability and infringement of patents.

Operating leases. Rental expense for operating leases totaled \$32.1 million in 2003, \$35.4 million in 2002 and \$36.1 million in 2001. Approximate minimum rental commitments under noncancelable operating leases in effect at December 27, 2003, were: 2004 –\$18.8 million; 2005 – \$9.0 million; 2006 – \$3.0 million; 2007 – \$1.9 million; and after 2007 – \$1.7 million.

Note 15: Quarterly Financial Summary (Unaudited)

Following is a summary of the unaudited interim results of operations for each quarter in the years ended December 27, 2003 and December 28, 2002.

(In millions, except per share amounts)

	First quarter	Second quarter	Third quarter	Fourth quarter
Year ended December 27, 2003:				
Net sales	\$271.5	\$310.0	\$249.2	\$344.1
Gross margin	182.2	201.4	160.7	222.5
Net income	6.4	14.1	—	27.4 ^a
Net income per share:				
Basic	0.11	0.24	—	0.47 ^a
Diluted	0.11	0.24	—	0.47 ^a
Dividends declared per share	0.22	0.22	0.22	0.22
Composite stock price range:				
High	15.95	16.18	16.78	17.03
Low	12.18	13.70	13.40	13.23
Close	14.00	14.27	13.40	16.92
Year ended December 28, 2002:				
Net sales	\$251.9	\$286.1	\$244.3	\$321.2
Gross margin	172.1	191.4	161.5	215.9 ^b
Net income	15.6 ^b	32.0 ^b	8.0	34.5 ^b
Net income per share:				
Basic	0.27 ^b	0.55 ^b	0.14	0.59 ^b
Diluted	0.27 ^b	0.54 ^b	0.14	0.59 ^b
Dividends declared per share	0.22	0.22	0.22	0.22
Composite stock price range:				
High	22.32	24.14	20.34	17.91
Low	17.75	19.48	15.63	14.40
Close	21.97	20.28	15.76	15.04

- a. Includes pretax re-engineering and impairment costs of \$6.9 million (\$3.1 million after-tax). See Note 2 to the consolidated financial statements.
- b. Includes pretax re-engineering and impairment costs (gains) of \$1.5 million (\$1.2 million after-tax), \$(8.4) million (\$(6.2) million after-tax) and \$(7.2) million (\$(3.5) million after-tax) for the first, second and fourth quarters, respectively. See Note 2 to the consolidated financial statements.

Note 16: Rights Agreement

In 1996, the Company adopted a shareholders' rights plan with a duration of 10 years, under which shareholders received a right to purchase one one-hundredth of a share of preferred stock for each right owned. The preferred shares are cumulative and are superior to common shares with regard to dividends. Each share is entitled to 100 votes on all matters submitted to the shareholders for a vote. The rights are exercisable if 15 percent of the Company's common stock is acquired or threatened to be acquired, and the rights are redeemable by the Company if exercisability has not been triggered. Under certain circumstances, if 50 percent or more of the Company's consolidated assets or earning power are sold, a right entitles the holder to buy shares of the Company equal in value to twice the exercise price of each right. Upon acquisition of the Company by a third party, a holder could receive the right to purchase stock in the acquirer. The foregoing percentage thresholds may be reduced to not less than 10 percent.

Report of Independent Certified Public Accountants**To the Board of Directors and Shareholders of Tupperware Corporation:**

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, of shareholders' equity and comprehensive income and of cash flows present fairly, in all material respects, the financial position of Tupperware Corporation and its subsidiaries at December 27, 2003 and December 28, 2002, and the results of their operations and their cash flows for each of the three years in the period ended December 27, 2003, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of Tupperware Corporation's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Orlando, Florida
February 12, 2004

Tupperware Corporation Annual Report • 2003

Report of Management

The management of Tupperware is responsible for the preparation of the financial statements and other information contained in this Annual Report. The financial statements were prepared in accordance with accounting principles generally accepted in the United States of America and include amounts that are based upon management's best estimate and judgments, as appropriate. PricewaterhouseCoopers LLP has audited these financial statements and has expressed an independent opinion thereon.

The Company maintains internal control systems, policies and procedures designed to provide reasonable assurance that assets are safeguarded, that transactions are executed in accordance with management's authorization and properly recorded, and that accounting records may be relied upon for the preparation of financial information. There are inherent limitations in all internal control systems based on the fact that the cost of such systems should not exceed the benefits derived. Management believes that the Company's systems provide the appropriate balance of costs and benefits. The Company also maintains an internal auditing function that evaluates and reports on the adequacy and effectiveness of internal accounting controls, policies and procedures.

The Audit and Corporate Responsibility Committee of the Board of Directors is composed entirely of outside directors. The Committee meets periodically and independently with management, the vice president of internal audit and PricewaterhouseCoopers LLP to discuss the Company's internal accounting controls, auditing and financial reporting matters. The vice president of internal audit and PricewaterhouseCoopers LLP have unrestricted access to the Audit and Corporate Responsibility Committee.

Management recognizes its responsibility for conducting the Company's affairs in a manner that is responsive to the interests of its shareholders and its employees. This responsibility is characterized in the Code of Conduct, which provides that the Company will fully comply with laws, rules and regulations of every country in which it operates and will observe the rules of ethical business conduct. Employees of the Company are expected and directed to manage the business of the Company accordingly.

/s/ Rick Goings

Rick Goings
Chairman and Chief Executive Officer

/s/ Michael S. Potesman

Michael S. Potesman
Senior Vice President and Chief Financial Officer

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Exhibit 21

TUPPERWARE CORPORATION

Active Subsidiaries

As of March 4, 2004

The following subsidiaries are wholly-owned by the registrant or another subsidiary of the Registrant (degree of remoteness from the registrant is shown by indentations), except in the case of certain subsidiaries as to which the percentage ownership of voting is stated in parenthesis.

Tupperware Corporation

Dart Industries Inc.

Tupperware Espana, S.A.

Tupperware, Industria Lusitana de Artigos Domesticos, Limitada

Tupperware (Portugal) Artigos Domesticos, Lda.

Deerfield Land Corporation

Tupperware Turkey, Inc.

Dart Far East Sdn. Bhd.

Dart de Venezuela, C.A.

Tupperware Colombia S.A.

Dart do Brasil Industria e Comercio Ltda.

Daypar Participacoes Ltda

Academia de Negocios S/C Ltda.

Tupperware Hellas S.A.I.C.

Tupperware Del Ecuador Cia. Ltda.

Dart Industries Hong Kong Limited

Dart Industries (New Zealand) Limited

Tupperware New Zealand Staff Superannuation Plan

Dart, S.A. de C.V.

Servicios Especializados de Arrendamiento en Latinoamerica S.A. de C.V

Dartco Manufacturing Inc.

Premiere Products, Inc.

Premiere Korea Ltd.

Premiere Marketing Company

Exportadora Lerma, S.A. de C.V.

Tupperware Australia Pty. Ltd.

Tupperware Singapore Pte. Ltd.

All subsidiaries listed above are included in the consolidated financial statements of the Registrant as consolidated subsidiaries, except for subsidiaries owned 50% or less.

Newco Logística e Participações Ltda.

Centro de Distribuição RS Ltda.

Distribuidora Comercial Nordeste de Produtos Plásticos Ltda.

Distribuidora Comercial Paulista de Plásticos Ltda.

Centro de Distribuição Mineira de Produtos de Plástico Ltda.

Distribuidora Esplanada de Produtos Plásticos Ltda.

Corcovado-Plast Distribuidora de Artigos Domésticos Ltda.

Distribuidora Baiana de Produtos Plásticos Ltda.

União Norte Distribuidora de Produtos Plásticos Ltda.

Eixo Sul Brasileiro de Artigos Domésticos Ltda.

Centro Oeste Distribuidora de Produtos Plásticos Ltda.

Premiere Manufacturing, Inc.

Tupperware U.S., Inc.

Tupperware Distributors, Inc.

Tupperware Factors Inc.

Tupperware.com, Inc.

Tupperware Canada Inc.

Dart Staff Superannuation Fund Pty Ltd.

Importadora Y Distribuidora Importupp Limitada

Tupperware Iberica S.A.

Tupperware (Thailand) Limited

Tupperware Uruguay S.A.

Dart Executive Pension Fund Limited

Dart Pension Fund Limited

Tupperware U.K. Holdings, Inc.

The Tupperware Foundation

Auburn River Realty Company

Tupperware Products, Inc.

Tupperware de El Salvador, S.A. de C.V.

Tupperware del Peru S.R.L.

Dart Holdings, S. de R.L.

Tupperware Honduras, S. de R.L.

Tupperware de Costa Rica, S.A.

Tupperware de Guatemala, S.A.

All subsidiaries listed above are included in the consolidated financial statements of the Registrant as consolidated subsidiaries, except for subsidiaries owned 50% or less.

Asociacion Nacional de Distribuidores de Productos Tupperware, A.C.

Tupperware International Holdings Corporation

Tupperware International Holdings BV

Tupperware Israel Ltd.

Tupperware Belgium N.V.

Tupperware France S.A.

Tupperware Polska Sp.zo.o

Dart Argentina S.A.

TWP S.A.

Tupperware Asia Pacific Holdings Private Limited

Tupperware India Private Limited

Tupperware China, LLC

Tupperware (China) Company Limited

Dart (Philippines), Inc.

Tupperware Realty Corporation

Tupperware Philippines, Inc.

Tupperware Holdings B.V.

Tupperware Services GmbH

Tupperware, Ltd.

Tupperware Nederland Properties B.V.

Tupperware Nederland B.V.

Tupperware Deutschland GmbH

Tupperware Osterreich G.m.b.H.

Tupperware Southern Africa (Proprietary) Limited

Tupperware Products B.V.

Tupperware (Suisse) SA

Tupperware Products S.A.

Tupperware d.o.o.

Tupperware Bulgaria EOOD

Tupperware Eesti OU

UAB "Tupperware"

SIA Tupperware Latvia

Tupperware Luxembourg S.ar.l.

Tupperware Slovakia s.r.o.

All subsidiaries listed above are included in the consolidated financial statements of the Registrant as consolidated subsidiaries, except for subsidiaries owned 50% or less.

Tupperware Morocco

Tupperware Assets Management Sarl

Diecraft Australia Pty. Ltd.

Tupperware Egypt Ltd

Tupperware East Africa Limited

Tupperware Italia S.p.A.

Tupperware General Services N.V.

Japan Tupperware Co., Ltd.

Tupperware Trading Ltd.

Tupperware Czech Republic, spol. s.r.o.

Tupperware United Kingdom & Ireland Limited

Tupperware Nordic A/S

Tupperware Global Center SARL

Tupperware Panama, S.A.

Dart Manufacturing India Pvt. Ltd.

Tupperware Finance Limited

Premiere Products Mexico, S. de R.L.

BeautiControl Mexico, S. de R.L.

PT Imawi Benjaya

Tupperware Finance Holding Company B.V.

Tupperware Finance Company B. V.

Tupperware Holdings Corporation

Tupperware Home Parties Corporation

Tupperware Export Sales, Ltd.

Tupperware Services, Inc.

Tupperware Holdings Ltd.

BeautiControl, Inc.

BC International Cosmetic & Image Services, Inc.

BeautiControl Canada, Ltd

BeautiControl International Services, Inc.

BeautiControl Asia Pacific Inc.

BeautiControl Hong Kong, Inc.

BeautiControl Japan, Inc.

BeautiControl Taiwan, Inc.

All subsidiaries listed above are included in the consolidated financial statements of the Registrant as consolidated subsidiaries, except for subsidiaries owned 50% or less.

Eventus International, Inc.

JLH Properties, Inc.

BeautiControl Cosméticos do Brasil Ltda.

International Investor, Inc.

All subsidiaries listed above are included in the consolidated financial statements of the Registrant as consolidated subsidiaries, except for subsidiaries owned 50% or less.

Exhibit 23

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statement on Form S-3 (No. 333-12125), the Registration Statement on Form S-8 (No. 333-48650), the Registration Statement on Form S-8 (No. 333-04869), the Registration Statement on Form S-8 (No. 333-04871), the Registration Statement on Form S-8 (No. 333-18331) and the Registration Statement on Form S-8 (No. 333-50012) of Tupperware Corporation of our report dated February 12, 2004 relating to the financial statements, which appears in the Annual Report to Shareholders, which is incorporated in this Annual Report on Form 10-K. We also consent to the incorporation by reference of our report dated February 12, 2004 relating to the financial statement schedules, which appears in this Form 10-K.

PricewaterhouseCoopers LLP

Orlando, Florida

March 8, 2004

EXHIBIT 24

POWERS OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the undersigned directors of Tupperware Corporation, a Delaware corporation, (the "Corporation"), hereby constitute and appoint Thomas M. Roehlk and Michael S. Poteshman, true and lawful attorneys-in-fact and agents of the undersigned, with full power of substitution and resubstitution, for and in the name, place and stead of the undersigned, in any and all capacities, to sign the Annual Report on Form 10-K of the Corporation for its fiscal year ended December 27, 2003, and any and all amendments thereto, and to file or cause to be filed the same, together with any and all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents and substitutes, full power and authority to do and perform each and every act and thing requisite or necessary to be done in and about the premises as fully to all intents and purposes as the undersigned might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents and substitutes, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned have hereunto set their hand and seal this 18th day of February, 2004.

/s/ RITA BORNSTEIN

/s/ KRISTEN C. LONINGER III

/s/ CLIFFORD J. GRUM

/s/ JOE R. LEE

/s/ BOB M. ARBUT

/s/ ANGEL R. MARTINEZ

/s/ ROBERT J. MURRAY

/s/ DAVID R. PARKER

/s/ JOYCE M. ROCHÉ

/s/ M. ANNE S. ZOSTAK

EXHIBIT 31.1

RULE 13a-14(a)/15d-14(a) CERTIFICATIONS

I, E.V. Goings, the chief executive officer of Tupperware Corporation, certify that:

1. I have reviewed this annual report on Form 10-K of Tupperware Corporation;
2. Based on my knowledge, this 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 report;
3. Based on my knowledge, the financial statements, and other financial information included in this 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 report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our

supervision, 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 report is being prepared;

- (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
- (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 9, 2004

/s/ E.V. GOINGS

E.V. Goings
Chairman and Chief Executive Officer

EXHIBIT 31.2

RULE 13a-14(a)/15d-14(a) CERTIFICATIONS

I, Michael S. Poteshman, the chief financial officer of Tupperware Corporation, certify that:

1. I have reviewed this annual report on Form 10-K of Tupperware Corporation;
2. Based on my knowledge, this 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 report;
3. Based on my knowledge, the financial statements, and other financial information included in this 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 report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, 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 report is being prepared;
 - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 9, 2004

/s/ MICHAEL S. POTESHMAN

Michael S. Poteshman
Senior Vice President and Chief Financial Officer

EXHIBIT 32.1

Form of Certification Pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code

I, E.V. Goings, the chief executive officer of Tupperware Corporation, certify that, to the best of my knowledge, (i) the Form 10-K for the period ended December 27, 2003 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and (ii) the information contained in such Form 10-K fairly presents, in all material respects, the financial condition and results of operations of Tupperware Corporation.

Date: March 9, 2004

/s/ E. V. GOINGS

Chairman and Chief Executive Officer

A signed original of this written statement required by Section 906 has been provided to Tupperware Corporation and will be retained by Tupperware Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT 32.2

**Form of Certification Pursuant to Section 1350 of Chapter 63
of Title 18 of the United States Code**

I, Michael S. Poteshman, the chief financial officer of Tupperware Corporation, certify that, to the best of my knowledge, (i) the Form 10-K for the period ended December 27, 2003 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and (ii) the information contained in such Form 10-K fairly presents, in all material respects, the financial condition and results of operations of Tupperware Corporation.

Date: March 9, 2004

/s/ MICHAEL S. POTESHMAN

Senior Vice President and Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to Tupperware Corporation and will be retained by Tupperware Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

End of Filing

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