OPTIONS FOR COMMON SHARES

Options have been granted to certain employees, under various plans, to purchase the Company's Common Shares at prices equal to fair market value as of date of grant. These options expire ten years from date of grant. A summary of stock option activity follows:

	1994		1993	
	Average price per share	*Shares*	*Average price per share*	*Shares*
Outstanding, January 1	$31.53	3,433,850	$28.81	3,368,670
Granted	57.71	959,390	39.34	831,730
Exercised	28.12	(348,720)	27.28	(657,353)
Canceled	46.42	(45,361)	32.52	(109,197)
Outstanding, December 31	$37.94	3,999,159	$31.53	3,433,850
Shares exercisable				
January 1		2,401,683		2,334,758
December 31		2,839,095		2,401,683
Shares reserved for future grants				
January 1		2,133,630		2,856,882
December 31		1,218,477		2,133,630

INCOME TAXES

Income before income taxes for the years ended December 31 follows (in millions):

	1994	1993	1992
United States	$396	$214	$147
Outside the United States	92	48	34
	$488	$262	$181

Income taxes for the years ended December 31 follows (in millions):

	1994	1993	1992
Current			
United States			
Federal	$ 81	$108	$ 42
State and local	15	7	5
Outside the United States	44	30	20
	140	145	67
Deferred			
United States			
Increase in statutory tax rate		(5)	
Other Federal	24	(50)	(14)
State and local	1	(2)	(1)
Outside the United States			
Operating loss carryforwards	(8)	(7)	(11)
Reduction of valuation allowance for deferred tax assets	(3)	(5)	
Increase in statutory tax rate	(2)	(1)	
Other	3	7	
	15	(63)	(26)
	$155	$ 82	$ 41

Significant components of current and long-term deferred income taxes at December 31 follow (in millions):

	1994		
	Current assets	*Long-term assets*	*Long-term liabilities*
Accruals and other adjustments			
Employee benefits	$ 54	$228	$ (4)
Inventory	15		
Restructuring	20	13	
Depreciation and amortization		(142)	(17)
Other	46	7	
Operating loss carryforwards		78	1
Valuation allowance		(29)	
Other items	16	3	9
	$151	$158	$(11)

	1993		
	Current assets	*Long-term assets*	*Long-term liabilities*
Accruals and other adjustments			
Employee benefits	$ 44	$209	$ (4)
Inventory	15		
Restructuring	15	13	
Depreciation and amortization		(140)	(15)
Other	38	5	
Operating loss carryforwards		50	2
Valuation allowance		(15)	
Other items	15	(10)	7
	$127	$112	$(10)

At December 31, 1994, certain subsidiaries outside the United States had tax loss carryforwards and tax credit carryovers (in millions) aggregating $162 and $15, respectively. Carryforwards of $92 million have no expiration dates and the balance expire at various dates from 1995 through 2005. The tax credit carryovers expire at various dates from 1995 through 1999.

Reconciliations of income taxes at the United States Federal statutory rate to the effective income tax rate for the years ended December 31 follow (in millions):

	1994		1993	1992
	Amount	*Rate*	*Rate*	*Rate*
Income taxes at the United States statutory rate	$171	35.0%	35.0%	34.0%
State and local income taxes	14	2.8	1.5	.9
Adjustment of worldwide tax liabilities	7	1.6	1.4	(6.0)
Possessions credit related to Puerto Rican operations	(26)	(5.2)		
Reduction of valuation allowance for deferred tax assets	(3)	(.6)	(2.1)	
Adjustment of deferred income taxes for change in statutory rates	(2)	(.4)	(2.3)	
Effective tax rate differential on earnings of consolidated subsidiaries and associate companies outside the United States	(6)	(1.3)	.1	(3.9)
Other - net			(2.1)	(2.2)
	$155	31.9%	31.5%	22.8%