

Notes to Financial Statements

In millions except share and per share amounts

Postretirement Benefits Other Than Pensions

Annual net postretirement benefits liability and expense under the defined benefit plans are determined on an actuarial basis. Our policy is to pay these benefits as they become due. Benefits are determined primarily based upon employees' length of service and include applicable employee cost sharing.

Postemployment Benefits

Annual net postemployment benefits liability and expense under our benefit plans are accrued as service is rendered for those obligations that accumulate or vest and can be reasonably estimated. Obligations that do not accumulate or vest are recorded when payment of the benefits is probable and the amounts can be reasonably estimated.

Statement of Cash Flows

For purposes of reporting cash flows, we consider highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Cash and Marketable Securities

The majority of our marketable securities satisfy the criteria for cash equivalents and are classified accordingly. The remainder of our marketable securities are classified as available for sale. Available-for-sale securities, which are included in investments and other assets, are carried at fair value and any unrealized gains or losses, net of income taxes, are reported as a component of accumulated other comprehensive income or loss in shareholders' equity. Cash includes bank deposits of \$31 that support letters of credit and may not be withdrawn under the terms of the arrangements.

Stock-Based Compensation

Stock-based compensation is accounted for using the intrinsic value method prescribed in Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations. No compensation expense is recorded for stock options when granted as the option price is set at the market value of the underlying stock.

Note 2. Preferred Share Purchase Rights

We have a Preferred Share Purchase Rights Plan which is designed to deter coercive or unfair takeover tactics. One right has been issued on each share of our common stock outstanding on and after July 25, 1996. Under certain circumstances, the holder of each right may purchase 1/1000th of a share of our Series A Junior Participating Preferred Stock, no par value, for the exercise price of \$110 (subject to adjustment as provided in the Plan). The rights have no voting privileges and will expire on July 15, 2006, unless exercised, redeemed or exchanged sooner.

Generally, the rights cannot be exercised or transferred apart from the shares to which they are attached. However, if any person or group acquires (or commences a tender offer that would result in its acquiring) 15% or more of our outstanding common stock, the rights not held by the acquirer will become exercisable. In that event, instead of purchasing 1/1000th of a share of the Participating Preferred Stock, the holder of each right may elect to purchase from us the number of shares of our common stock that have a market value of twice the right's exercise price (in effect, a 50% discount on our stock). Thereafter, if we merge with or sell 50% or more of our assets or earnings power to the acquirer or engage in similar transactions, any rights not previously exercised (except those held by the acquirer) can also be exercised. In that event, the holder of each right may elect to purchase from the acquiring company the number of shares of its common stock that have a market value of twice the right's exercise price (in effect, a 50% discount on the acquirer's stock).

The Board may authorize the redemption of the rights at a price of \$.01 each before anyone acquires 15% or more of our common shares. After that, and before the acquirer owns 50% of our outstanding shares, the Board may authorize the exchange of each right for one share of our common stock.

Note 3. Preferred Shares

There are 5,000,000 shares of preferred stock authorized, without par value, including 1,000,000 shares reserved for issuance under the Rights Plan. No shares of preferred stock have been issued.

Note 4. Common Shares

Certain of our employee and director stock plans provide that employees and directors may tender stock to satisfy the purchase price of the shares, the income taxes required to be withheld on the transaction, or both. In connection with these stock plans, we repurchased 304,927 shares in 1999, 91,074 in 2000 and 11,000 in 2001.

During 1999, the Board of Directors (Board) authorized the expenditure of up to \$350 to repurchase shares of our common stock and in 2000 it authorized an additional expenditure of \$250 for a total authorization of \$600. The authorizations expired at the end of 2000. The repurchases were accomplished through open market transactions. In 1999, we repurchased 2,994,400 shares at an aggregate cost of \$100 and in 2000, 15,455,747 shares were repurchased at a cost of \$381.

All shares repurchased were cancelled and became authorized but unissued shares.

Common stock transactions in the last three years are as follows:

	1999	2000	2001
Shares outstanding at beginning of year	165,690,844	163,151,142	147,877,034
Issued for director and employee stock plans	764,535	272,713	664,430
Repurchased under stock plans	(309,837)	(91,074)	(11,000)
Repurchase program	(2,994,400)	(15,455,747)	
Shares outstanding at end of year	163,151,142	147,877,034	148,530,464
Average shares outstanding for the year - basic	165,322,644	152,038,862	148,241,265
Plus: Incremental shares from assumed conversion of -			
Deferred compensation units	461,112	571,029	608,757
Deferred restricted stock units	106,044	226,253	232,257
Stock options	608,165	95,182	2,371
Potentially dilutive shares	1,175,321	892,464	843,385
Average shares outstanding for the year - diluted	166,497,965	152,931,326	149,084,650