Debt and Other Financial Instruments

The Company's subsidiaries outside the United States have lines of credit, primarily short-term, aggregating $138 million from various banks worldwide. At December 31, 1997, the Company had $81 million outstanding under these lines of credit. The weighted average interest rate on short-term debt, excluding immaterial amounts for highly inflationary countries, at December 31, 1997 and 1996 was 7.1% and 7.2%, respectively.

Long-term debt at December 31, excluding the current portion, follows (in millions):

	1997	1996
6-3/8% notes due 1999		
(effective interest rate 4.8%)	$ 100	$ 100
9% notes due 2001	100	100
6% debentures due 2006	86	88
8.9% debentures due 2006	100	100
7% debentures due 2011, net of unamortized		
discount of $90 million in 1996		
(effective interest rate 14.6%)		110
8.1% debentures due 2022	100	100
7-5/8% debentures due 2024		
(effective interest rate 7.1%)	100	100
6-1/2% debentures due 2025		
(due 2005 at option of debenture holders)	150	150
Unsecured notes (5.6% to 6.6%)	500	150
Other (effective interest rate 9.5%)	36	66
	$1,272	$1,062

The Company has a $250 million revolving line of credit, which expires in 1998, and a $500 million revolving credit agreement, which expires in 2000. These lines of credit provide funds for working capital and general corporate purposes. The unsecured notes are classified as long-term debt because the Company intends, and has the ability under the $500 million revolving credit agreement, to refinance these notes on a long-term basis.

In 1997, the Company completed the termination of, and settled for cash, a $100 million 9% interest rate swap expiring in 2000. The combined $6.8 million pretax loss on the termination of the swap ($3.1 million related to 1996) is being amortized to interest expense through 2000 when the swap was originally scheduled to mature.

The Company has interest rate swap agreements that effectively convert interest expense on $115 million of United States dollar fixed-rate debt to a fixed rate of 3.2% as to $50 million, and to floating rates at December 31, 1997 of 2.5% (based on the swap agreement) as to $25 million and 5.8% (based on the Amsterdam Interbank Offered Rate plus 1.89%) as to the remaining $40 million.

In 1995, the Company entered into an agreement that expires in 1999 which effectively converts $40 million of United States dollar debt into Dutch Guilder denominated debt. This agreement was designated as a hedge of the Company's net investment in a Netherlands subsidiary.

Aggregate mandatory sinking fund requirements and annual maturities of long-term debt are as follows (in millions): 1998, $23; 1999, $107; 2000, $502; 2001, $102; and 2002, $2.

Interest capitalized as part of acquisition or construction of major fixed assets (in millions) was $12 in 1997, $8 in 1996 and $10 in 1995. Interest paid (in millions) was $97 in 1997, and $96 in 1996 and 1995.

Financial instruments outstanding at December 31 are as follows (in millions):

	1997			1996		
	Notional amount	Carrying amount	Fair value	Notional amount	Carrying amount	Fair value
Cash and short-term investments		$ 90	$ 90		$ 60	$ 60
Marketable equity investments		5	5		22	22
Marketable debt securities		62	62		44	44
Short-term debt		(81)	(81		(10)	(10)
Long-term debt, current portion of long-term debt and foreign currency principal swaps		(1,295)	(1,373)		(1,082)	(1,206)
Put options			(1)			
Foreign currency forward exchange contracts and options	$112	(27)	(27)	$ 23	(10)	(8)
Interest rate swaps						
Fixed to floating	66		1	127		1
Floating to fixed	9			64		(5)
Fixed to fixed	90	1		90	2	(2)
Interest rate caps sold				(50)	(1)	(1)

The fair values of short-term investments, marketable equity investments and debt securities, short-term and long-term debt, put options and interest rate swaps and caps are principally based on quoted market prices. The fair value of foreign currency forward exchange contracts and options, which primarily mature in 1998, and foreign currency principal and interest rate swaps are estimated based on quoted market prices of comparable contracts, adjusted through interpolation where necessary for maturity differences.

Extraordinary Item

On December 30, 1997, the Company redeemed the $200 million of 7% debentures due 2011. The aftertax extraordinary loss on this redemption, including the write-off of debt issue costs, was $54 million, or $.71 per Common Share ($88 million before income taxes).

Pension Plans

The Company has non-contributory defined benefit pension plans covering the majority of employees. Plans covering salaried and certain hourly employees provide benefits that are generally based on years of service and final average compensation. Benefits for other hourly employees are generally based on years of service. Company policy is to fund at least the minimum amount required by applicable regulations. In the event of a change in control of the Company, excess pension plan assets of North American operations may be dedicated to funding of health and welfare benefits for employees and retirees.