

The Company sponsors a Share Purchase and Investment Plan (SPIP) for United States operations under which eligible participating employees may choose to contribute up to 15% of their base pay to the SPIP. The Company matches employee contributions up to 6% of a participant's base pay as limited by United States income tax regulations. The matching contribution ranges from 25% to 100% of a participant's contribution and is invested in the Company's Common Shares. The matching contribution percentage is determined each quarter, based on net income per Common Share.

In 1989, the Company prefunded, through 1999, a portion of anticipated matching contributions to the SPIP by creating an Employee Stock Ownership Plan (ESOP) under the SPIP and selling 5 million Common Shares for \$150 million to the ESOP. The shares held by the ESOP have not yet been allocated to employee accounts and are included in shareholders' equity as "Unallocated ESOP Shares" and the notes payable of the ESOP are included in long-term debt. Shares in the ESOP are released at historical cost and allocated to employee accounts based on the ratio of the annual principal payment on the notes payable compared to the original principal amount of the notes payable. Cash dividends paid on shares in the ESOP are charged against retained earnings and, along with Company contributions, are used to repay the principal and interest due on the notes payable. ESOP shares are considered as outstanding for purposes of computing net income per Common Share. Shares in the ESOP at the end of 1995 and 1994 (in millions) were 1.9 and 2.7, respectively. Compensation expense related to the SPIP match, including the effect of shares released by the ESOP at historical cost, (in millions) was \$17 in 1995, \$15 in 1994 and \$11 in 1993.

PREFERRED SHARE PURCHASE RIGHTS

In June 1995, the Company declared a dividend of one Preferred Share Purchase Right (Right) for each outstanding Common Share. The dividend was paid on July 12, 1995 to shareholders of record on that date. The Rights become exercisable only if a person or group acquires, or offers to acquire, 20% or more of the Company's Common Shares. The Company is authorized to reduce the 20% threshold for triggering the Rights to not less than 10%. The Rights expire on July 12, 2005, unless redeemed earlier at one cent per Right.

When the Rights become exercisable, the holder of each Right, other than the acquiring person, is entitled (1) to purchase for \$250, one one-hundredth of a Series C Preferred Share (Preferred Share), (2) to purchase for \$250, that number of the Company's Common Shares or common stock of the acquiring person having a market value of twice that price, or (3) at the option of the Company, to exchange each Right for one Common Share or one one-hundredth of a Preferred Share.

LEASE COMMITMENTS

Future minimum rental commitments as of December 31, 1995, under noncancelable operating leases, which expire at various dates and in most cases contain renewal options, are as follows (in millions): 1996, \$48; 1997, \$38; 1998, \$28; 1999, \$19; 2000, \$12; and after 2000, \$94.

Rental expense in 1995, 1994 and 1993 (in millions) was \$67, \$65 and \$43, respectively.

INCOME TAXES

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

	1995	1994	1993
United States	\$ 471	\$ 396	\$ 214
Outside the United States	121	92	48
	<u>\$ 592</u>	<u>\$ 488</u>	<u>\$ 262</u>

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

	1995	1994	1993
Current			
United States			
Federal	\$ 109	\$ 81	\$ 108
State and local	24	15	7
Outside the United States	59	44	30
	<u>192</u>	<u>140</u>	<u>145</u>
Deferred			
United States			
Reduction of valuation allowance for deferred income tax assets	(11)		
Other Federal	26	24	(50)
State and local	1	1	(2)
Increase in statutory tax rate			(5)
Outside the United States			
Operating loss carryforwards	(4)	(8)	(7)
Reduction of valuation allowance for deferred income tax assets		(3)	(5)
Increase in statutory tax rate		(2)	(1)
Other	(11)	3	7
	<u>1</u>	<u>15</u>	<u>(63)</u>
	<u>\$ 193</u>	<u>\$ 155</u>	<u>\$ 82</u>

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

	Current assets	Long-term assets	Long-term liabilities
1995			
Accruals and other adjustments			
Employee benefits	\$ 56	\$ 240	\$ (4)
Depreciation and amortization		(161)	(24)
Other	85	16	6
Operating loss carryforwards of international subsidiaries		86	2
Other items	9	18	10
Valuation allowance		(36)	
	<u>\$ 150</u>	<u>\$ 163</u>	<u>\$ (10)</u>
1994			
Accruals and other adjustments			
Employee benefits	\$ 54	\$ 228	\$ (4)
Depreciation and amortization		(142)	(17)
Other	81	20	
Operating loss carryforwards of international subsidiaries		78	1
Other items	16	18	9
Valuation allowance		(44)	
	<u>\$ 151</u>	<u>\$ 158</u>	<u>\$ (11)</u>