The Company routinely reviews EHS performance at each of its facilities; and, the Company continuously strives to minimize the generation of hazardous waste at its facilities.

As a result of past operations, the Company is involved in remedial response and voluntary environmental cleanup activities at a number of sites, including certain of its currently-owned or formerly-owned plants. The Company has also been named a potentially responsible party (PRP) under the Federal Superfund Law at a number of waste disposal sites.

A number of factors affect the cost of environmental remediation, including the number of parties involved at many sites, the determination of the extent of contamination, the length of time that remediation may require, the complexity of environmental regulations, and the continuing advancement of remediation technology. Taking these factors into account, the Company has estimated (without discounting) costs of remediation, which will be incurred over a period of several years.

The Company accrues an amount equal to the best estimates of these costs when it is probable that a liability has been incurred. At December 31, 1997 and 1996, the balance sheet included an accrual for these costs (in millions) of $33 and $35, respectively. The Company has rights of recovery from non-affiliated parties as to a portion of these costs with regard to several of the sites. The accrual for 1997 was reduced due to the settlement of liability at certain sites, new cost-sharing agreements, and regulatory guidance and activity affecting estimated remediation costs.

Based upon the Company's analysis and subject to the difficulty in estimating these future costs, the Company expects that any sum it may be required to pay in connection with environmental matters is not reasonably likely to exceed the accrual by an amount that would have a material adverse effect on financial condition or results of operations or liquidity. All of these estimates are forward-looking statements and, given the inherent uncertainties in evaluating environmental exposures, actual results can differ from these estimates.

Shareholders' Equity

There are 300 million Common Shares authorized ($.50 par value per share). At December 31, 1997, there were 5.1 million Common Shares held in treasury and 13,669 holders of record of Common Shares. Additionally, 22,448 employees were shareholders through participation in the Share Purchase and Investment Plan.

In the second half of 1997, the Company sold written put options on 400,000 Common Shares. Options on 150,000 Common Shares expired unexercised in 1997. In December 1997, the Company purchased 50,000 shares at $90 per Common Share as a result of an option exercise. The remaining 200,000 options expire in the first half of 1998 at strike prices of $90.00 and $94.66 per Common Share.

Stock 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. Historically, the majority of these options vest ratably during the three-year period following the date of grant and expire ten years from date of grant. In January 1997, 1.9 million special performance-vested stock options were granted at an option price of $71.81. These options become fully exercisable ten days before the expiration of their ten-year term. Accelerated vesting of these options is linked to the Company's success in achieving net income and Common Share price targets. Half of the options became exercisable during 1997 when the Company achieved the initial share price target of $85 per Common Share. The remaining options become exercisable if the Company earns $8 per Common Share during any twelve month period prior to the end of the year 2000. If the earnings target is not met by the end of 2000, the unmet target for each subsequent year will increase at a compound annual rate of 10%.

A summary of stock option activity follows (shares in millions):

	1997		1996		1995	
	Average price per share	Shares	Average price per share	Shares	Average price per share	Shares
Outstanding, January 1	$44.32	5.0	$41.12	4.6	$37.94	4.0
Granted	73.07	2.8	53.10	1.1	48.60	1.1
Exercised	43.49	(.9)	33.57	(.6)	28.94	(.4)
Canceled	59.85	(.1)	51.79	(.1)	50.58	(.1)
Outstanding, December 31	$55.85	6.8	$44.32	5.0	$41.12	4.6
Exercisable, December 31		4.5		3.7		3.3
Reserved for future grants, December 31		1.5		4.2		5.2

The following table summarizes information about stock options outstanding at December 31, 1997:

	Number outstanding	Weighted-average remaining contractual life	Weighted-average exercise price
Range of exercise prices			
$24.15-$39.99	1.7	3.6	$32.86
$40.00-$49.99	.8	7.1	48.56
$50.00-$69.99	1.6	7.3	55.09
$70.00-$100.91	2.7	9.1	73.12

The following table summarizes information about stock options that are exercisable at December 31, 1997:

	Number exercisable	Weighted-average exercise price
Range of exercise prices		
$24.15-$39.99	1.7	$32.86
$40.00-$49.99	.6	48.56
$50.00-$69.99	1.2	55.75
$70.00-$100.91	1.0	71.98

The Company has adopted the disclosure-only provisions of Statement of Financial Accounting Standard (SFAS) No. 123, 'Accounting for Stock-Based Compensation.' If the Company accounted for its stock options under the fair value method of SFAS No. 123, the Company's net income (in millions) and net income per Common Share would have been as indicated below:

	1997	1996	1995
Net income	$ 390	$ 343	$ 395
Net income per Common Share	$5.08	$4.43	$5.07
Net income per Common Share-assuming dilution	$4.99	$4.38	$5.02