Regulation G GAAP Reconciliations

Following is a reconciliation of "free cash flow," which is defined as cash flow from operating activities less amounts for capital expenditures. Both of these amounts have been calculated in accordance with US GAAP. The company's management believes free cash flow, as defined, provides a useful measure of the company's liquidity. The company's management uses free cash flow as a measure of cash available to fund early or required debt retirement and incremental investing and/or financing activities, such as, but not limited to, acquisitions and share repurchases.

Details of free cash flow appear below.

	Free cash flow		
	2003	2002	2001
Cash provided by operating activities – US GAAP basis	**$ 336**	$ 384	$ 371
Less: capital expenditures	**(112)**	(126)	(145)
Free cash flow	**$ 224**	$ 258	$ 226

Following is a reconciliation of "return on capital employed (ROCE)," which is defined as net operating profit after taxes (NOPAT) divided by the average capital employed in the business. The numerator is a measure of the company's profitability and is derived from operating income calculated in accordance with US GAAP. Likewise, the denominator is derived from the sum of the company's total debt, minority interest, and shareholders' equity, all of which have been calculated in accordance with US GAAP. The company's management believes ROCE, as defined, provides a useful measure of the company's effectiveness in managing operating assets and increasing shareholder value. The company's management uses ROCE to evaluate performance and, along with other factors, in determining management compensation.

	Return on capital employed				
	2003	2002	2001	2000	1999
Operating income	**$ 466**	$ 463	$ 391	$ 341	
Adjustments to exclude the effects of:					
Other (income) expense	**1**	—	6	(6)	
Restructuring and other	**—**	(4)	12	70	
Spin-off transaction	**—**	—	(12)	(20)	
Noncash pension income	**(64)**	(109)	(113)	(108)	
Adjusted operating income	**403**	350	284	277	
Income taxes (1)	**121**	105	85	83	
NOPAT	**$ 282**	$ 245	$ 199	$ 194	
Capital employed					
Short-term debt, including current maturities of long-term debt	**$ 5**	$ 13	$ 7	$ 13	$ 325
Long-term debt	**1,336**	1,224	1,211	1,560	1,741
Minority interest	**8**	21	8	22	20
Shareholders' equity	**1,061**	897	1,689	1,539	1,350
Gross capital employed	**2,410**	2,155	2,915	3,134	3,436
Adjustments to exclude the effects of :					
Pension assets	**(195)**	(170)	(1,045)	(1,063)	(941)
Pension and other postretirement-benefit liabilities	**576**	586	52	185	177
Deferred tax on net pension assets/liabilities (2)	**(145)**	(158)	377	334	290
Cash	**(140)**	(127)	(41)	(26)	(12)
Synthetic-lease adjustment (3)	**—**	169	169	139	61
Net capital employed	**$2,506**	$2,455	$2,427	$2,703	$3,011
NOPAT	**$ 282**	$ 245	$ 199	$ 194	
Average capital employed	**2,481**	2,441	2,565	2,857	
ROCE	**11.4%**	10.0%	7.8%	6.8%	

(1) Calculated using the company's projected long-term cash tax rate of 30%.

(2) Calculated using a 38% rate, which is a combination of the U.S. federal corporate income-tax rate and the company's effective corporate state income-tax rate.

(3) Adjustment to reflect the impact of off-balance sheet synthetic-lease obligations. The company consolidated these obligations as of December 31, 2003; therefore no adjustment is necessary for 2003.