Notes to Consolidated Financial Statements

1. Summary of Significant Accounting Policies:
Principles of consolidation: The accompanying consolidated financial statements include the accounts of the Company and its subsidiaries.

Inventories are valued at the lower of cost or market. As of January 1, 1981, the last-in, first out (LIFO) method of valuing inventories was extended to approximately 47 percent of inventories that previously were accounted for generally on the first-in, first out (FIFO) method. This change did not significantly impact reported earnings. The remaining inventories continue to be valued generally under the FIFO method.

Inventories valued under LIFO amounted to $272,098,000 at December 31, 1981 and $21,655,000 at December 31, 1980. Current value exceeded LIFO value by $46,507,000 and $30,984,000 at the 1981 and 1980 year-ends.

Inventories at December 31 consist of:

	(In thousands) 1981	1980
Finished goods	$264,580	$239,218
Work in process	92,653	92,202
Materials and supplies	209,021	225,877
	$566,254	$557,297

Property, plant and equipment is carried at cost. Depreciation is provided over the estimated useful lives of the related assets, principally on the straight-line method.

Intangible assets at December 31, 1981 include $4,856,000 of goodwill relating to acquisitions initiated after October 31, 1970 and patent rights, which are being amortized. Of the intangibles acquired prior to November 1, 1970, $10,510,000 were charged to income during 1981. The balance of $66,141,000 is not being amortized since the Company believes there has been no diminution in value of these assets.

Pension plans: The Company and its subsidiaries sponsor various retirement plans for most full-time employees. Total pension expense for 1981, 1980 and 1979 was $15,257,000, $10,385,000 and $8,120,000 (after applicable income tax reduction). It has been the policy to fund all current and prior service costs under these retirement plans, and all liabilities for accrued vested and unvested benefits have been fully funded. All such liabilities under the United States and major foreign plans have been guaranteed by appropriate financial institutions.

Research and development costs which amounted to $115,412,000 in 1981, $101,643,000 in 1980 and $90,121,000 in 1979 are charged against income as incurred.

Income Taxes: The effective tax rate of 47.40% for 1981 differs from the statutory federal income tax rate principally because of non-deductible foreign currency adjustments. Deferred taxes are provided for certain items of revenue and expense when the timing of their recognition for financial statement and income tax purposes differs. The net result of these timing differences is such that taxes currently payable were $8,349,000, $27,219,000 and $20,448,000 more than the provisions for federal and foreign taxes on income in 1981, 1980 and 1979 respectively. Deferred tax benefits in the accompanying balance sheets amounted to $124,120,000 and $115,771,000 at December 31, 1981 and 1980, respectively, of which $86,265,000 and $78,650,000 were classified as current assets. These benefits represent the net cumulative amounts by which future provisions for federal and foreign taxes on income will exceed income taxes actually payable. Income taxes payable upon distribution of accumulated earnings of foreign subsidiaries and affiliates are not significant. Investment tax credits, which were insignificant, are accounted for as a reduction of income tax expense in the year the related assets are placed in service.

2. Other noncurrent liabilities include provisions for loss contingencies, which include provision for taxes, general and product liability and workmen's compensation claims. Also included under this caption are provisions for severance payments to foreign employees, foreign income taxes payable after one year, and noncurrent debt.

3. Capital Stock: There were 210,000,000 shares of common stock and 5,000,000 shares of preferred stock authorized at December 31, 1981. Of the authorized preferred shares, there is a series of 190,582 shares which is designated as $2 convertible preferred stock. Each share of the $2 series is convertible at the option of the holder into four and one-half shares of common stock. This series may be called for redemption at $60 per share plus accrued dividends if the market price of the common stock is at least $13.33 per share. In the event of involuntary liquidation, the liquidation value of this series would exceed its par value by $50 per share ($57.50 in voluntary liquidation).

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