

We compute the effect of dilutive securities using the treasury stock method and average market prices during the period. The calculation of diluted earnings per share for the year ended December 28, 2001, excludes \$5 million of after-tax interest expense on convertible debt and 4.1 million shares issuable upon conversion of convertible debt, and 5.1 million options granted in 2001, inclusion of which would have had an antidilutive impact on diluted earnings per share.

EMPLOYEE STOCK PLANS

We issue stock options, deferred shares and restricted shares under our 1998 Comprehensive Stock and Cash Incentive Plan (Comprehensive Plan). Under the Comprehensive Plan, we may award to participating employees (1) options to purchase our Class A Common Stock (Stock Option Program and Supplemental Executive Stock Option awards), (2) deferred shares of our Class A Common Stock and (3) restricted shares of our Class A Common Stock. In addition we have an employee stock purchase plan (Stock Purchase Plan). In accordance with the provisions of Opinion No. 25 of the Accounting Principles Board, we recognize no compensation cost for the Stock Option Program, the Supplemental Executive Stock Option awards or the Stock Purchase Plan.

Deferred shares granted to officers and key employees under the Comprehensive Plan generally vest over 10 years in annual installments commencing one year after the date of grant. We accrue compensation expense for the fair market value of the shares on the date of grant, less estimated forfeitures. We granted 0.8 million deferred shares during 2001. Compensation cost recognized during 2001, 2000 and 1999 was \$25 million, \$18 million and \$15 million, respectively.

Restricted shares under the Comprehensive Plan are issued to officers and key employees and distributed over a number of years in annual installments, subject to certain prescribed conditions including continued employment. We recognize compensation expense for the restricted shares over the restriction period equal to the fair market value of the shares on the date of issuance. We awarded 0.2 million restricted shares under this plan during 2001. We recognized compensation cost of \$4 million in each of 2001, 2000 and 1999.

Under the Stock Purchase Plan, eligible employees may purchase our Class A Common Stock through payroll deductions at the lower of the market value at the beginning or end of each plan year.

Employee stock options may be granted to officers and key employees at exercise prices equal to the market price of our Class A Common Stock on the date of grant. Nonqualified options expire 10 years after the date of grant, except those issued from 1990 through 2000, which expire 15 years after the date of the grant. Most options under the Stock Option Program are exercisable in cumulative installments of one quarter at the end of each of the first four years following the date of grant. In February 1997, 2.1 million Supplemental Executive Stock Option awards were awarded to certain of our officers. The options vest after eight years but could vest earlier if our stock price meets certain performance criteria. These

options have an exercise price of \$25 and 0.2 million of them were forfeited during 1998. None of them were exercised during 2001, 2000 or 1999, and 1.9 million remained outstanding at December 28, 2001.

For the purposes of the following disclosures required by FAS No. 123, "Accounting for Stock-Based Compensation," the fair value of each option granted during 2001, 2000 and 1999 was \$16, \$15 and \$14, respectively. We estimated the fair value of each option granted on the date of grant using the Black-Scholes option-pricing model, using the assumptions noted in the following table:

	2001	2000	1999
Annual dividends	\$.26	\$.24	\$.22
Expected volatility	32%	30%	29%
Risk-free interest rate	4.9%	5.8%	6.7%
Expected life (in years)	7	7	7

Pro forma compensation cost for the Stock Option Program, the Supplemental Executive Stock Option awards and employee purchases pursuant to the Stock Purchase Plan subsequent to December 30, 1994, recognized in accordance with FAS No. 123, would reduce our net income as follows (in millions, except per share amounts):

	2001	2000	1999
Net income as reported	\$236	\$ 479	\$ 400
Pro forma net income	\$187	\$ 435	\$ 364
Diluted earnings per share as reported	\$.92	\$1.89	\$1.51
Pro forma diluted earnings per share	\$.73	\$1.71	\$1.38

A summary of our Stock Option Program activity during 2001, 2000 and 1999 is presented below:

	Number of options (in millions)	Weighted average exercise price
Outstanding at January 1, 1999	31.5	\$19
Granted during the year	6.9	33
Exercised during the year	(4.2)	12
Forfeited during the year	(0.4)	30
Outstanding at December 31, 1999	33.8	22
Granted during the year	0.6	36
Exercised during the year	(3.9)	16
Forfeited during the year	(0.5)	32
Outstanding at December 29, 2000	30.0	23
Granted during the year	13.4	36
Exercised during the year	(4.2)	18
Forfeited during the year	(0.9)	34
Outstanding at December 28, 2001	38.3	\$29

There were 20.2 million, 20.5 million and 19.3 million exercisable options under the Stock Option Program at December 28, 2001, December 29, 2000 and December 31, 1999, respectively, with weighted average exercise prices of \$22, \$19 and \$16, respectively.