CONSOLIDATED STATEMENTS OF **CASH FLOWS**

(DOLLARS IN MILLIONS)

	Year Ended September 30, (Twelve Months)			Nine Months Ended September 30,
	1998	**1997**	**1996**	**1996**
			UNAUDITED	
OPERATING ACTIVITIES				
Net income (loss)	**$ 970**	$ 541	$ (793)	$ 224
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities, net of effects from acquisitions of businesses:				
Business restructuring (reversal) charge	**(100)**	(201)	2,515	(98)
Asset impairment and other charges	**–**	81	293	105
Depreciation and amortization	**1,334**	1,450	1,326	937
Provision for uncollectibles	**130**	127	73	54
Deferred income taxes	**113**	9	(996)	(251)
Purchased in-process research and development	**1,416**	1,024	–	–
Increase in accounts receivable–net	**(1,987)**	(389)	(3,114)	(1,506)
Increase in inventories and contracts in process	**(365)**	(273)	(309)	(524)
Increase (decrease) in accounts payable	**170**	(16)	1,021	629
Changes in other operating assets and liabilities	**133**	(315)	1,040	537
Other adjustments for noncash items–net	**(448)**	(92)	(77)	(111)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	**1,366**	1,946	979	(4)
INVESTING ACTIVITIES				
Capital expenditures	**(1,626)**	(1,635)	(1,432)	(939)
Proceeds from the sale or disposal of property, plant and equipment	**57**	108	119	15
Purchases of equity investments	**(212)**	(149)	(96)	(46)
Sales of equity investments	**71**	12	102	102
Dispositions of businesses	**329**	181	58	58
Acquisitions of businesses–net of cash acquired	**(1,347)**	(1,568)	(234)	(234)
Other investing activities–net	**(80)**	(70)	(155)	(22)
NET CASH USED IN INVESTING ACTIVITIES	**(2,808)**	(3,121)	(1,638)	(1,066)
FINANCING ACTIVITIES				
Repayments of long-term debt	**(93)**	(16)	(53)	(39)
Issuance of long-term debt	**375**	52	1,499	1,499
Proceeds from issuance of common stock	**608**	260	2,887	2,887
Dividends paid	**(201)**	(192)	(48)	(48)
Increase (decrease) in short-term borrowings–net	**149**	191	(1,525)	(1,436)
Repayments of debt sharing agreement–net	**–**	–	(67)	–
Transfers (to) from AT&T	**–**	–	(190)	13
NET CASH PROVIDED BY FINANCING ACTIVITIES	**838**	295	2,503	2,876
Effect of exchange rate changes on cash and cash equivalents	**(61)**	(11)	(16)	(13)
Net (decrease) increase in cash and cash equivalents	**(665)**	(891)	1,828	1,793
Cash and cash equivalents at beginning of period	**1,350**	2,241	413	448
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**$ 685**	$ 1,350	$ 2,241	$ 2,241

See Notes to Consolidated Financial Statements.