

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1995-07-28** | Period of Report: **1995-06-30**
SEC Accession No. **0000311259-95-000015**

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FILER

EASTERN ENTERPRISES

CIK: **311259** | IRS No.: **041270730** | State of Incorpor.: **MA** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **001-02297** | Film No.: **95557022**
SIC: **4924** Natural gas distribution

Business Address
*9 RIVERSIDE RD
WESTON MA 02193
6176472300*

SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 1995

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number 1-2297

EASTERN ENTERPRISES

(Exact name of registrant as specified in its charter)

MASSACHUSETTS

(State or other jurisdiction of
incorporation or organization)

04-1270730

(I.R.S. Employer
Identification No.)

9 RIVERSIDE ROAD, WESTON, MASSACHUSETTS 02193

(Address of principal executive offices)
(Zip Code)

617-647-2300

(Registrant's telephone number, including area code)

Former name, former address and former fiscal year,
if changed since last report.

Indicate by check mark whether the registrant (1) has filed all reports
required to be filed by Section 13 or 15(d) of the Securities Exchange Act of
1934 during the preceding 12 months (or for such shorter period that the
registrant was required to file such reports), and (2) has been subject to such
filing requirements for the past 90 days.

Yes No

The number of shares of Common Stock outstanding of Eastern Enterprises as of
July 21, 1995 was 20,151,668.

PART I. FINANCIAL INFORMATION
Item 1. FINANCIAL STATEMENTS

Company or group of companies for which report is filed:
EASTERN ENTERPRISES AND SUBSIDIARIES ("Eastern")

<TABLE>
Consolidated Statement of Operations

<CAPTION>

(In thousands, except per share amounts)	Three months ended June 30,		Six months ended June 30,	
	1995	1994	1995	1994
<S>	<C>	<C>	<C>	<C>
Revenues	\$198,876	\$191,793	\$565,844	\$564,261
Operating costs and expenses:				
Operating costs	140,142	138,352	397,828	406,312
Selling, general & administrative expenses	25,309	25,324	54,478	53,111
Depreciation & amortization	14,282	13,861	35,533	33,456
	-----	-----	-----	-----
	179,733	177,537	487,839	492,879
	-----	-----	-----	-----
Operating earnings	19,143	14,256	78,005	71,382
Other income (expense):				
Interest income	1,409	392	2,069	736
Interest expense	(9,250)	(9,641)	(19,254)	(19,053)
Other, net	40	2,963	135	2,737
	-----	-----	-----	-----
Earnings from continuing operations before income taxes	11,342	7,970	60,955	55,802
Provision for income taxes	4,267	2,955	23,241	21,925
	-----	-----	-----	-----
Earnings from continuing operations	7,075	5,015	37,714	33,877
Earnings from discontinued operations, net of tax	-	1,146	-	972
	-----	-----	-----	-----
Net earnings	\$ 7,075	\$ 6,161	\$ 37,714	\$ 34,849
	=====	=====	=====	=====
Earnings per share from continuing operations	\$.35	\$.24	\$ 1.86	\$ 1.62
Discontinued operations	-	.05	-	.04
	-----	-----	-----	-----
Net earnings per share	\$.35	\$.29	\$ 1.86	\$ 1.66
	=====	=====	=====	=====
Dividends per share	\$.35	\$.35	\$.70	\$.70
	=====	=====	=====	=====

</TABLE>

The accompanying notes are an integral part of these financial statements.

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Eastern Enterprises and Subsidiaries

<TABLE>
Consolidated Balance Sheet

<CAPTION>

(In thousands)	June 30,	Dec. 31,	June 30,
	1995	1994	1994
<S>	<C>	<C>	<C>
ASSETS			
Current assets:			
Cash and short-term investments	\$ 123,742	\$ 60,854	\$ 51,723
Receivables, less allowances	95,304	97,093	130,574
Inventories	46,045	60,207	52,888
Deferred gas costs	27,000	66,865	44,214
WaterPro net assets held for sale	-	51,462	48,352
Other current assets	8,234	6,841	7,233

Total current assets	300,325	343,322	334,984
Investments:			
U.S. Filter	57,781	44,847	44,441
Other investments	13,706	5,531	5,876
Total investments	71,487	50,378	50,317
Property and equipment, at cost	1,313,085	1,293,733	1,262,964
Less--Accumulated depreciation	547,327	518,110	501,491
Net property and equipment	765,758	775,623	761,473
Other assets:			
Deferred post-retirement health care costs	95,484	97,589	99,607
Deferred charges and other costs, less amortization	46,965	72,407	41,238
Total other assets	142,449	169,996	140,845
Total assets	\$1,280,019	\$1,339,319	\$1,287,619

</TABLE>

The accompanying notes are an integral part of these financial statements.

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Page 4.

Eastern Enterprises and Subsidiaries

<TABLE>

Consolidated Balance Sheet

<CAPTION>

(In thousands)	June 30, 1995	Dec. 31, 1994	June 30, 1994
<S>	<C>	<C>	<C>
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Current debt	\$ 5,450	\$ 67,774	\$ 39,425
Accounts payable	42,687	49,981	50,625
Accrued expenses	25,501	22,908	25,294
Other current liabilities	73,337	71,774	57,664
Total current liabilities	146,975	212,437	173,008
Gas inventory financing	31,978	53,578	36,692
Long-term debt	362,935	365,488	361,836
Reserves and other liabilities:			
Deferred income taxes	92,676	91,534	89,638
Post-retirement health care	101,968	102,382	103,431
Coal miners retiree health care	56,341	58,155	60,628
Preferred stock of subsidiary	29,245	29,229	29,213
Other reserves	53,621	52,382	49,205
Total reserves and other liabilities	333,851	333,682	332,115
Shareholders' equity:			
Common stock, \$1.00 par value			
Authorized shares -- 50,000,000			
Issued shares -- 20,661,975 at June 30, 1995; 20,651,925 at			

December 31, 1994 and 21,651,925 at June 30, 1994			
Capital in excess of par value	20,662	20,652	21,652
Retained earnings	38,134	37,712	61,951
Treasury stock at cost - 510,547 shares at June 30, 1995; 241,395 shares at December 31, 1994 and 754,240 shares at June 30, 1995	358,626	321,880	319,913
	(13,142)	(6,110)	(19,548)
Total shareholders' equity	404,280	374,134	383,968
Total liabilities and shareholders' equity	\$1,280,019	\$1,339,319	\$1,287,619

</TABLE>

The accompanying notes are an integral part of these financial statements.

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Eastern Enterprises and Subsidiaries

<TABLE>
Consolidated Statement of Cash Flows

<CAPTION>

(In thousands)	Six months ended June 30,	
	1995	1994
<S>	<C>	<C>
Cash flows from operating activities:		
Net earnings	\$ 37,714	\$ 34,849
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Discontinued operations non-cash charges and working capital changes	-	(972)
Depreciation and amortization	35,533	33,456
Income taxes and tax credits	3,452	5,645
Other changes in assets and liabilities:		
Receivables	5,589	(15,928)
Inventories	14,163	18,249
Deferred gas costs	39,865	21,588
Accounts payable	(7,293)	(13,039)
Other	13,532	3,070
Net cash provided by operating activities	142,555	86,918
Cash flows from investing activities:		
Capital expenditures	(24,918)	(20,046)
Short-term investments	(37)	12,955
Proceeds from sale of WaterPro	52,864	-
Proceeds from sale of barge construction business	-	12,695
Other	(891)	(2,560)
Net cash provided by investing activities	27,018	3,044
Cash flows from financing activities:		
Dividends paid	(14,256)	(15,194)
Changes in notes payable	(62,530)	(74,500)
Proceeds from issuance of long-term debt	-	36,000
Repayment of long-term debt	(1,688)	(2,898)
Changes in gas inventory financing	(21,600)	(22,605)
Purchase of treasury shares	(8,357)	(1,961)
Other	1,588	1,120
Net cash used by financing activities	(106,843)	(80,038)
Net increase (decrease) in cash and cash equivalents	62,730	9,924
Cash and cash equivalents at beginning of year	51,674	23,737

Cash and cash equivalents at end of period	114,404	33,661
Short-term investments	9,338	18,062
	-----	-----
Cash and short-term investments	\$ 123,742	\$ 51,723
	=====	=====

</TABLE>

The accompanying notes are an integral part of these financial statements.

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EASTERN ENTERPRISES AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
June 30, 1995

1. Accounting policies

It is Eastern's opinion that the financial information contained in this report reflects all adjustments necessary to present a fair statement of results for the periods reported. All of these adjustments are of a normal recurring nature. Results for the periods are not necessarily indicative of results to be expected for the year, due to the seasonal nature of Eastern's operations. Except for the accounting for the investment in U.S. Filter, as described below, all accounting policies have been applied in a manner consistent with prior periods. Such financial information is subject to year-end adjustments and annual audit by independent public accountants.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted in this Form 10-Q. Therefore these interim financial statements should be read in conjunction with Eastern's 1994 Annual Report filed on Form 10-K with the Securities and Exchange Commission.

Investment in U.S. Filter

Eastern holds 3,041,092 common shares, which as of December 31, 1994 represented 18% of the voting stock of U.S. Filter. Since Eastern's acquisition of U.S. Filter stock in December 1993, the latter has made several acquisitions which have reduced Eastern's ownership percentage. Additionally, on April 26, 1995 U.S. Filter issued 6,000,000 common shares pursuant to a registration statement filed with the Securities and Exchange Commission. This issuance reduced Eastern's voting interest to approximately 13%. Accordingly, beginning in the first quarter of 1995, Eastern is accounting for its investment in U.S. Filter under the cost method. Eastern previously accounted for this investment under the equity method. Eastern has classified the U.S. Filter investment as a security available for sale. Accordingly, the net unrealized gain of \$12,934,000 computed in marking this security to market is reflected as a component of shareholder's equity.

Earnings per share

Per share amounts are based on the weighted average number of common shares outstanding and common equivalent shares. Quarter and year-to-date shares are 20,232,000 and 20,267,000, respectively, in 1995 and 20,969,000 and 20,975,000, respectively, in 1994.

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2. Inventories

<TABLE>

The components of inventories were as follows:

<CAPTION>

(In thousands)	June 30, 1995	Dec. 31, 1994	June 30, 1994
----------------	------------------	------------------	------------------

<S>	<C>	<C>	<C>
Supplemental gas supplies	\$ 32,795	\$ 46,844	\$ 37,731
Other materials, supplies and marine fuels	13,250	13,363	15,157
	-----	-----	-----
	\$ 46,045	\$ 60,207	\$ 52,888
	=====	=====	=====

</TABLE>

3. Supplemental cash flow information

<TABLE>

The following are supplemental disclosures of cash flow information:

<CAPTION>

(In thousands)	Six months ended June 30, 1995	1994
----------------	-----------------------------------	------

<S>	<C>	<C>
Cash paid during the year for:		
Interest, net of amounts capitalized	\$17,412	\$17,393
Income taxes	\$20,194	\$17,692

</TABLE>

4. Contingencies

In July 1995 Eastern received notice from the Social Security Administration ("SSA") claiming that Eastern is responsible for health benefit premiums for an additional group of retired coal miners and their beneficiaries under the federal Coal Industry Retiree Health Benefit Act of 1992 ("Coal Act"). In 1993 Eastern recorded a reserve of \$70,000,000 to provide for its estimated undiscounted obligations under the Coal Act with respect to the miners and beneficiaries assigned to Eastern at that time. This amount was reflected as an extraordinary item of \$45,500,000, net of tax. As more fully discussed in Note 12 of Notes to Financial Statements in Eastern's 1994 Annual Report, its obligation could range from zero to more than \$100 million. Due to a lack of information about the recent assignment of the additional group of retired miners and their beneficiaries and other issues, it is not known what the ultimate cost of such assignment, if any, will be to Eastern, and no additional provision has been made at this time.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

<TABLE>

RESULTS OF OPERATIONS

<CAPTION>

Revenues:

(In thousands)	Three months ended June 30,		Change
	1995	1994	
<S>	<C>	<C>	<C>
Boston Gas	\$129,615	\$122,806	6 %
Midland	69,261	68,987	-
	-----	-----	
Total	\$198,876	\$191,793	4 %
	=====	=====	

</TABLE>

<TABLE>

<CAPTION>

(In thousands)	Six months ended June 30,		Change
	1995	1994	
<S>	<C>	<C>	<C>
Boston Gas	\$423,856	\$437,108	(3) %
Midland	141,988	127,153	12 %

Total

\$565,844

\$564,261

-

</TABLE>

Boston Gas

Warmer weather for the first six months of 1995 and other demand-related factors decreased year-to-date revenues by \$48 million. Weather for the first six months of 1995 was slightly warmer than normal, as the 4% warmer than normal first quarter weather was largely offset by 9% colder than normal weather during the second quarter. In contrast, weather for first six months of 1994 was 8% colder than normal, as the extremely cold first quarter was partially offset by 10% warmer than normal temperatures in the second quarter. The impact of weather and other demand-related factors was partially offset by the pass through of higher gas costs, interruptible sales and sales to new firm customers.

Midland Enterprises

Revenues for the second quarter of 1995 were about the same as for 1994, as higher rates offset a 6% decline in ton miles. Severe flooding on the Mississippi River above St. Louis and the Illinois Waterway, from late May to mid-June, contributed to the reduction in volume. For the first six months of 1995, revenues increased 12%, reflecting an improved market environment and generally favorable operating conditions. Year-to-date ton miles increased 6% in 1995, reflecting strong first quarter production as compared to 1994 when severe winter icing and floods negatively impacted operations.

Coal tonnage decreased 6% in the second quarter from the comparable period in 1994, due to reduced spot transportation, reflecting utilization of equipment in non-coal markets and a mild winter which reduced utility requirements for coal. For the first six months of 1995, coal tonnage increased 4%, with coal tonnage under long-term contracts up 12% due to the settlement in July 1994 of a contract dispute with a major customer that had curtailed shipments in the first half of 1994. Non-coal tonnage increased 2% for the first six months of 1995, reflecting the strong export grain market.

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<TABLE>

Operating Earnings:

<CAPTION>

(In thousands)	Three months ended June 30,		Change
	1995	1994	
<S>	<C>	<C>	<C>
Boston Gas	\$ 8,247	\$ 5,353	54 %
Midland	12,543	9,871	27 %
Headquarters	(1,647)	(968)	(70) %
Total	\$19,143	\$14,256	34 %

</TABLE>

<TABLE>

<CAPTION>

(In thousands)	Six months ended June 30,		Change
	1995	1994	
<S>	<C>	<C>	<C>
Boston Gas	\$52,805	\$58,475	(10) %
Midland	27,843	14,896	87 %
Headquarters	(2,643)	(1,989)	(33) %
Total	\$78,005	\$71,382	9 %

</TABLE>

Boston Gas

The impact of warmer weather and other demand-related factors, partially offset

by lower operating expenses related to the warmer weather and on-going cost containment measures, decreased operating earnings for the first six months of 1995 by about \$8 million. Sales to new firm customers, the recognition of lost margins associated with conservation programs and the recognition of revenues associated with a reimbursement from New England Electric System for environmental remediation expenditures more than offset increased charges for depreciation, property taxes and an early retirement program. The early retirement program was associated with an ongoing comprehensive corporate reengineering project focused on improving customer service and lowering operating costs.

Midland Enterprises

Operating earnings for the second quarter and first six months of 1995 were favorably impacted by higher rates, particularly for grain, and improved productivity. While volumes and operating efficiencies were negatively impacted by flooding on the Mississippi River and Illinois Waterway during the second quarter of 1995, operating conditions were generally better during the first half of 1995 than during the previous year. Winter ice, high water and flooding significantly increased operating costs during the first four months of 1994. As a result, comparative operating earnings increased by 27% and 87% for the second quarter and first six months of 1995, respectively.

During the second quarter of 1994, Midland recorded a pre-tax gain of \$2.3 million on the sale of its Port Allen barge construction and shipyard facility in Louisiana. This gain is included in Other, net on the Consolidated Statement of Operations.

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LIQUIDITY AND CAPITAL RESOURCES

Management believes that projected cash flow from operations, in combination with currently available resources, is more than sufficient to meet Eastern's 1995 capital expenditure and working capital requirement, normal debt repayments and anticipated dividend payments to shareholders.

On April 10, 1995 Eastern completed the previously announced sale of its wholly-owned subsidiary, WaterPro Supplies Corporation, for \$52.9 million in cash.

On June 13, 1995 Boston Gas filed a shelf registration for the issuance of up to \$100 million of medium-term notes through December 1997 for the funding of future capital expenditures and the refinancing of currently outstanding indebtedness.

Consolidated capital expenditures are budgeted at approximately \$82 million, two-thirds of which are for Boston Gas and the balance for Midland.

In July 1995 Eastern received notice from the Social Security Administration claiming that Eastern is responsible for health benefit premiums for an additional group of retired coal miners and their beneficiaries under the federal Coal Industry Retiree Health Benefit Act of 1992. As described in Note 4 of Notes to Financial Statements, the liability for these premiums could result in an addition to the reserve and would be treated as an extraordinary item. No provision has been made at this time because the amount of the additional reserve, if any, cannot be reasonably estimated.

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PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

- (a) List of Exhibits

Exhibit 10.1 - Amendment, effective July 1, 1995, to Eastern's Headquarters Retirement Plan.

Exhibit 10.2 - Amendment, effective July 1, 1995, to Trust Agreement between Eastern and Shawmut Bank, N.A., dated January 29, 1987.

Exhibit 27 - Financial Data Schedule

(b) Reports on Form 8-K

Eastern filed a Report on Form 8-K, dated April 20, 1995, reporting the completion of the sale of stock of WaterPro Supplies Corporation.

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SIGNATURES

It is Eastern's opinion that the financial information contained in this report reflects all adjustments necessary to present a fair statement of results for the period reported. All of these adjustments are of a normal recurring nature. Results for the period are not necessarily indicative of results to be expected for the year, due to the seasonal nature of Eastern's operations. All accounting policies have been applied in a manner consistent with prior periods other than changes disclosed in Notes to Financial Statements. Such financial information is subject to year-end adjustments and annual audit by independent public accountants.

Pursuant to the requirements of the Securities Exchange Act of 1934, Eastern has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

EASTERN ENTERPRISES

By JAMES J. HARPER

James J. Harper
Vice President and Controller
(Chief Accounting Officer)

By WALTER J. FLAHERTY

Walter J. Flaherty
Senior Vice President and
Chief Financial Officer

July 28, 1995

Exhibit 10.1

EASTERN ENTERPRISES HEADQUARTERS
RETIREMENT PLAN

Amendment

Pursuant to Section 14.01 of the Eastern Enterprises Headquarters Retirement Plan, said Plan is hereby amended as follows:

1. Effective July 1, 1995, Article XIII of said Plan is amended by inserting a new Section 13.12 at the end thereof, as follows:

"13.12 Investment in Master Trust. Notwithstanding anything herein contained to the contrary, the assets of the Plan may be transferred to, invested in or withdrawn from any trust which has been qualified under Section 401(a) and is exempt under Section 501(a) of the Code established as a medium for the collective investment of funds of pension, profit sharing or other employee benefit trust established by Eastern, or any of its subsidiaries or affiliates. Any such trust may provide, among other things, for the separate investment of any portion thereof and the allocation to any such separately invested portion of any part of the interest of any employee benefit plan invested thereunder and for the designation of an investment manager to direct the Trustee in the exercise of the power granted to it with respect to such separately invested portion. The provisions of any such trust shall be deemed to have been adopted and made a part of this Plan."

Executed as of this 27th day of April, 1995.

EASTERN ENTERPRISES

By: s/s L. William Law, Jr.

Title: Senior Vice President and General Counsel

Exhibit 10.2

EASTERN ENTERPRISES

Amendment to Trust Agreement

WHEREAS, Eastern Enterprises ("Eastern") and Shawmut Bank, as trustee, heretofore established a so-called rabbi trust (the "Trust") pursuant to an agreement dated January 29, 1987, as amended by an instrument dated February 21, 1991 (the "Agreement") to provide for the payment of benefits under Eastern's Supplemental Executive Retirement Plan and Retirement Plan for Non-Employee Trustees; and

WHEREAS, Eastern wishes to amend the Agreement to reflect the appointment of Key Trust Company of Ohio, N.A., as successor trustee and to make certain other changes to the Agreement; and

WHEREAS, Eastern reserves the right to amend the Agreement pursuant to Section 10(a) thereof;

NOW, THEREFORE, in consideration of the premises, the Agreement is hereby amended as follows effective as of July 1, 1995:

1. All references to Shawmut Bank of Boston, N.A. are hereby changed to Key Trust Company of Ohio, N.A.

2. The last sentence of section 7(a) is hereby restated to read as follows:

"The Association shall indemnify the Trustee from any liability and expenses, including attorneys' fees, reasonably incurred by the Trustee on account of actions taken or omitted by the Trustee in accordance with such direction given by the Association or an investment manager."

3. Section 9 is hereby restated as follows:

"Section 9. Replacement of the Trustee. The Trustee may be removed at any time by the Association, or may resign, in either case by notice in writing. In the case of the removal or the resignation of the Trustee prior to a Change of Control, a new corporate trustee, which shall be independent and not subject to the control of either the Association or

any Trust Beneficiary, shall be appointed by the Association. Following a Change in Control the Trustee cannot be removed by the Association. If the Trustee resigns following a Change in Control, it shall apply to a court of competent jurisdiction for an order appointing a successor trustee, which shall be a corporate trustee independent and not subject to the control of either the Association or any Trust Beneficiary."

4. Section 12 is hereby restated as follows:

"Section 12. Governing Law. This Trust Agreement shall be governed by and construed in accordance with the laws of Ohio."

5. The Trustee hereby accepts its appointment as Trustee under the Agreement.

In all other respects, the Agreement and the Trust are hereby ratified, confirmed and continued.

KEY TRUST COMPANY OF OHIO, N.A.

EASTERN ENTERPRISES

By: s/s Meg H. Halloran, Trust Office

By: s/s Jean A. Scholtens, VP & Treas.

And: s/s Jocelyn Ruf, V.P.

And: s/s L. William Law, Jr., SVP

Date: 5/4/95

Date: @ 4-28-95

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<LEGEND>

This schedule contains summary financial information extracted from the consolidated statement of earnings and the consolidated balance sheets and is qualified in its entirety by reference to such financial statements.

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