

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: 1995-05-10 | Period of Report: 1995-03-31  
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FILER

**ROHM & HAAS CO**

CIK: 84792 | IRS No.: 231028370 | State of Incorp.: DE | Fiscal Year End: 1231  
Type: 10-Q | Act: 34 | File No.: 001-03507 | Film No.: 95536095  
SIC: 2821 Plastic materials, synth resins & nonvulcan elastomers

Mailing Address

INDEPENDENCE MALL WEST  
PHILADELPHIA PA 19105

Business Address

INDEPENDENCE MALL WEST  
PHILADELPHIA PA 19105  
2155923000

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D. C. 20549

FORM 10-Q

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

FOR QUARTER ENDED MARCH 31, 1995

COMMISSION FILE NUMBER 1-3507

R O H M   A N D   H A A S   C O M P A N Y  
(Exact name of registrant as specified in its charter)

DELAWARE  
(State or other jurisdiction of  
incorporation or organization)

23-1028370  
(I.R.S. Employer  
Identification No.)

100 INDEPENDENCE MALL WEST, PHILADELPHIA, PENNSYLVANIA  
(Address of principal executive offices)

19106  
(Zip Code)

Registrant's telephone number, including area code: (215) 592-3000

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, and (2) has been subject to such  
filing requirements for the past 90 days.

Yes      X              No  
-----              -----

Common stock outstanding at May 5, 1995: 67,658,120 SHARES

ROHM AND HAAS COMPANY AND SUBSIDIARIES

FORM 10-Q

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

The following are incorporated herein by reference to pages 6 through 9 of the company's Quarterly Report to Stockholders for the first quarter of 1995, a complete copy of which is attached as Exhibit 20.

1. Statements of Consolidated Earnings
2. Statements of Consolidated Cash Flows
3. Consolidated Balance Sheets
4. Notes to Consolidated Financial Statements

ITEM 2. - MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The management discussion and analysis is incorporated herein by reference to pages 2 and 3 of the company's Quarterly Report to Stockholders for the first quarter of 1995, a complete copy of which is attached as Exhibit 20.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

A discussion of legal proceedings is incorporated herein by reference to page 9 of the company's Quarterly Report to Stockholders for the first quarter of 1995, a complete copy of which is attached as Exhibit 20.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits:

Exhibit (12) - Computation of Ratio of Earnings to Fixed Charges for the company and subsidiaries.

Exhibit (20) - Copy of the company's Quarterly Report to Stockholders for the quarter ended March 31, 1995.

Exhibit (27) - Financial Data Schedule

(b) No reports on Form 8-K were filed during the quarter ended

March 31, 1995.

SIGNATURES

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

DATE: May 10, 1995  
-----

ROHM AND HAAS COMPANY  
(Registrant)

FRED W. SHAFFER  
VICE PRESIDENT AND  
CHIEF FINANCIAL OFFICER

EXHIBIT INDEX

(Pursuant to Part 232.102(d) of Regulation S-T)

Exhibit No.	Description
(12)	Computation of Ratio of Earnings to Fixed Charges
(20)	Copy of Quarterly Report to Stockholders
(27)	Financial Data Schedule

ROHM AND HAAS COMPANY  
AND SUBSIDIARIES

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES  
(millions of dollars)

	THREE MONTHS ENDED MARCH 31, 1995	YEAR ENDED DECEMBER 31,				
	-----	1994	1993	1992	1991	1990
Earnings before income taxes	\$ 120	\$ 407	\$ 194	\$ 261	\$ 240	\$ 313
Fixed charges	19	82	79	83	79	77
Capitalized interest adjustment	(1)	(2)	(7)	(3)	(6)	(17)
Undistributed earnings adjustment	(1)	(2)	6	2	(2)	(5)
Earnings	\$ 137	\$ 485	\$ 272	\$ 343	\$ 311	\$ 368
Ratio of earnings to fixed charges	7.2	5.9	3.4	4.1	3.9	4.8

Note: Earnings consist of earnings before income taxes and fixed charges after eliminating undistributed earnings (losses) of affiliates and capitalized interest net of amortization of previously capitalized interest. Fixed charges consist of interest expense, including capitalized interest, and amortization of debt discount and expense on all indebtedness, plus one-third of rent expense deemed to represent an interest factor.

EXHIBIT 20

COPY OF QUARTERLY REPORT TO STOCKHOLDERS

ROHM AND HAAS COMPANY  
FIRST QUARTER '95

ID: COVER GRAPHIC

FINANCIAL HIGHLIGHTS (Millions of dollars, except earnings per share)

	First Quarter		
	1995	1994	Percent Change
Net sales	\$ 985	\$856	15
Net earnings	79	67	18
Net earnings per common share	\$1.14	\$.96	19

SALES BY BUSINESS GROUP

Millions of dollars

Polymers, Resins and Monomers \$445  
Agricultural Chemicals \$144  
Plastics \$179  
Performance Chemicals \$217

ID: GRAPHIC (PIE CHART)

SALES BY CUSTOMER LOCATION

Millions of dollars

North America \$516

Latin America \$55  
Europe \$257  
Pacific \$157

ID: GRAPHIC (PIE CHART)

#### CHAIRMAN'S LETTER

The first quarter of 1995 was a robust continuation of our strong performance in 1994. Volume was up, productivity improved and currencies continued in our favor. These factors led to earnings of \$79 million. Without a \$17 million charge connected with a legal decision about a 30-year-old waste site, earnings would have been \$96 million, a 45 percent increase over the first quarter of 1994.

A good portion of the earnings gain resulted from productivity improvements. We're shipping more product than ever before, yet plant operating costs are well below what they were a year ago. In addition, we have kept selling, administrative and research costs flat with last year.

Nearly all of the volume increase occurred outside North America, with the greatest growth -- 29 percent -- occurring in the Pacific region. Latin America and Europe also reported double-digit volume increases. Volume growth in North America was limited by the sale of the styrene butadiene latex business, capacity constraints in Plastics Additives, and the loss of a significant Petroleum Chemicals customer in 1994. We also saw the pace of U.S. business slow during the first three months of this year.

The productivity gains we have made were hard earned, and we have no intention of surrendering them by allowing margin erosion due to feedstock cost increases. Selling prices were up about 5 percent at the end of the first quarter in those businesses where we had increases. Yet, at this point in time, we have recovered only about half of our raw material cost increases. We remain committed to maintaining our margins through full and fair pricing for the value in our products.

I am pleased with the productivity gains the company is making and expect to see more as the year progresses. Volume increases should continue, as long as worldwide economies remain favorable. In short, 1995 should be an excellent year for Rohm and Haas.

On May 1st, the Board of Directors elected two new vice presidents -- David Stitely, Director of Information Technology, and J. Gary Fischette, Director of Corporate Engineering for Rohm and Haas.

(J. LAWRENCE WILSON)  
J. Lawrence Wilson

## MANAGEMENT DISCUSSION AND ANALYSIS

FIRST QUARTER 1995 VERSUS  
FIRST QUARTER 1994

First quarter 1995 earnings were \$79 million, up 18% from last year's earnings of \$67 million. Earnings per common share were \$1.14, up 19% from 96 cents per common share in 1994. The 1995 results were reduced by a \$17 million after-tax charge (\$.25 per common share) for additional potential liability related to the cleanup of the Whitmoyer waste site in Myerstown, Pennsylvania. Without this charge, earnings would have been up 45% over last year's first quarter. All business segments and regions reported improved earnings. Sales of \$985 million were 15% higher than reported in the prior-year period. Earnings increased as a result of volume growth, higher selling prices, a higher-priced product mix, stronger currencies in Europe and Japan and continued productivity improvements in manufacturing, selling, administrative and research operations. These positives more than offset the impact of 31% higher raw material prices, excluding the effect of stronger currencies.

Polymers, Resins and Monomers (PRM) earnings were \$48 million, up 33% compared to the prior period. Sales increased 17% due to 8% higher volume, excluding the effect of the sale of the styrene butadiene latex business, higher selling prices and a higher-priced product mix. Volume increased in all regions, but was especially strong outside of North America, particularly in architectural coatings, adhesives and specialty industrial polymers. Smooth plant operations and stronger currencies in Europe and Japan also contributed to higher earnings. However, the earnings increase was limited by significantly higher raw material prices.

Plastics reported earnings of \$18 million, up 20% from the 1994 period. Sales increased 18%, reflecting volume gains of 7%, higher selling prices and stronger currencies in Europe and Japan. The large increase in raw material prices hurt earnings. Engineering resin additives had strong volume growth in Europe, and PVC additives reported gains in the Pacific and Latin American regions. Plastics Additives volume in North America was hampered by a production outage at the Louisville, Kentucky plant. AtoHaas North America reported volume increases for Plexiglas MC sheet and molding powder. AtoHaas Europe reported a profit for the quarter for the first time since the AtoHaas joint venture was formed in 1992.

Performance Chemicals recorded earnings of \$17 million, up from last year's earnings of \$11 million. Sales increased 16% due to 6% higher volume, a higher-priced product mix and stronger foreign currencies. Petroleum Chemicals volume declined, reflecting the loss of a significant customer in 1994. Biocides and Shipley reported double-digit volume gains in all regions. Ion Exchange Resins had significant volume increases in the North

American and Pacific regions. This volume increase, combined with continued productivity improvements, resulted in breakeven results for this business.

Agricultural Chemicals earnings of \$21 million were 17% higher than the first quarter of 1994. Sales increased 11%, reflecting a higher-priced product mix and stronger currencies in Europe and Japan. Volume was down 2% due to advance shipments of Dithane fungicide at the end of 1994. Good cost control also helped earnings.

Corporate totaled \$25 million in 1995, compared to \$13 million in last year's first quar-

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ter. The current year included a \$17 million charge for additional potential liability related to the cleanup of the Whitmoyer waste site in Myerstown, Pennsylvania, partly offset by \$2 million lower interest expense.

Net sales were \$985 million, up 15% from 1994. All business groups and regions contributed to the increase. The first quarter gross profit margin was 36%, down from 37% in the prior period. Raw material prices increased a staggering 31%, excluding the effect of currencies, over last year's first quarter. However, this huge negative effect was offset by 3% higher selling prices, higher production volumes, stronger foreign currencies, a more favorable product mix and cost savings in plant operations.

Selling, administrative and research (SAR) expenses declined 1% despite stronger foreign currencies and inflationary pressures and reflected continued productivity improvements. Interest expense decreased 25% due to lower debt levels and higher capitalization of interest expense as part of construction costs due to higher capital spending. Affiliate earnings were \$1 million compared to breakeven in the first quarter of 1994 resulting from improved earnings from the AtoHaas affiliates. Other expense, net, was \$39 million for the period, up from \$6 million in 1994, due largely to a charge of \$26 million for additional potential liability for the cleanup of the Whitmoyer waste site. The effective tax rate for the quarter was 34%, compared to 38% in 1994, due to lower taxes on foreign earnings.

#### LIQUIDITY, CAPITAL RESOURCES AND OTHER FINANCIAL DATA

At the end of the quarter, cash and cash equivalents totaled \$43 million, down \$84 million from the 1994 year-end balance. Receivables were up \$163 million during the first three months of the year due to higher sales. Inventories increased \$18 million, reflecting a normal seasonal pattern. The debt-to-equity ratio, calculated without the reduction to stockholders' equity for the ESOP transaction, was 42% at the end of March,

compared with 44% at year-end 1994. The lower debt-to-equity ratio resulted from the redemption of the company's \$75 million, 9.625% notes at par plus accrued interest in January out of cash on hand.

Fixed asset additions during the first three months of 1995 totaled \$63 million. Spending for the full year is estimated to be in the range of \$400 million, and includes expenditures for capacity expansion for acrylic acid at Houston, Texas, which will be completed mid-year, a new emulsion plant at Houston, Texas, and a new Biocides production facility at Bayport, Texas, which are both expected to be completed in 1996.

On March 20, 1995, the Federal District Court in Philadelphia ruled that Rohm and Haas must indemnify SmithKline Beecham for costs related to the cleanup of contamination at the Whitmoyer waste site. As a result of this court order, the company recorded a charge to first quarter earnings of \$17 million after tax, or 25 cents per common share, to recognize additional potential liability for remediating the site. The company disagrees with the decision and intends to appeal.

On May 1, 1995, the board of directors declared a regular quarterly dividend of \$.37 per common share and \$.6875 per preferred share, payable June 1, 1995, to stockholders of record on May 12, 1995.

ROHM AND HAAS COMPANY AND SUBSIDIARIES

SALES BY BUSINESS GROUP AND CUSTOMER LOCATION (Millions of dollars)

FIRST QUARTER 1995 AND 1994

	Polymers, Resins and Monomers		Plastics		Performance Chemicals		Agricultural Chemicals		Total	
	1995	1994	1995	1994	1995	1994	1995	1994	1995	1994
North America	\$295	\$272	\$100	\$ 91	\$ 89	\$ 82	\$ 32	\$ 33	\$516	\$478
Europe	79	60	59	47	60	52	59	50	257	209
Pacific	46	33	14	9	62	48	35	28	157	118
Latin America	25	22	6	5	6	5	18	19	55	51
Total	\$445	\$387	\$179	\$152	\$217	\$187	\$144	\$130	\$985	\$856

PHYSICAL VOLUME CHANGE  
CURRENT QUARTER RELATIVE TO YEAR-EARLIER QUARTER

BUSINESS GROUP	Percent Change	CUSTOMER LOCATION	Percent Change
Polymers, Resins and Monomers	5	North America	--
Plastics	7	Europe	11
Performance Chemicals	6	Pacific	29
Agricultural Chemicals	(2)	Latin America	12
Worldwide	5	Worldwide	5

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NET EARNINGS BY BUSINESS GROUP AND CUSTOMER LOCATION

BUSINESS GROUP	Quarter Ended March 31,	
	1995	1994
	(Millions of dollars)	
Polymers, Resins and Monomers	\$ 48	\$ 36
Plastics	18	15
Performance Chemicals	17	11
Agricultural Chemicals	21	18
Corporate	(25)	(13)
Total	\$ 79	\$ 67

CUSTOMER LOCATION

North America	\$ 47	\$ 43
Europe	32	22
Pacific	20	11
Latin America	5	4
Corporate	(25)	(13)
Total	\$ 79	\$ 67

Corporate includes a \$17 million after-tax charge for additional potential liability related to the cleanup of the Whitmoyer waste site in Myerstown, Pennsylvania as well as other non-operating items such as interest income and expense.

ANALYSIS OF CHANGE IN PER-SHARE EARNINGS  
CURRENT PERIOD RELATIVE TO YEAR-EARLIER PERIOD

GROSS PROFIT	\$/Share (after-tax)
Selling prices*	\$ .42
Physical volume and product mix	.34
Raw material costs*	(.58)
Other manufacturing costs*	.20
Increase in gross profit	.38
OTHER CAUSES	
Selling, administrative and research expenses*	.01
Interest expense	.03
Certain waste disposal site cleanup costs	(.25)
Other	.01
Decrease from other causes	(.20)
Increase in per-share earnings	\$ .18

\*The amounts shown are on a U.S. dollar basis and include the impact of currency movements as compared to the prior-year period.

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Rohm and Haas Company and Subsidiaries  
STATEMENTS OF CONSOLIDATED EARNINGS (Subject to Year-end Audit)

CURRENT EARNINGS	Quarter Ended March 31,	
	1995	1994
	(Millions of dollars)	
Net sales	\$ 985	\$ 856
Cost of goods sold	628	539
Gross profit	357	317
Selling and administrative expense	145	144
Research and development expense	45	47
Interest expense	9	12
Share of net earnings of affiliates	1	--
Other expense, net	39	6

Earnings before income taxes	120	108
Income taxes	41	41
-----		
NET EARNINGS	\$ 79	\$ 67
Less preferred stock dividends	2	2
-----		
NET EARNINGS APPLICABLE TO COMMON SHAREHOLDERS	\$ 77	\$ 65
-----		
PER COMMON SHARE:		
Net earnings	\$ 1.14	\$ .96
Dividends	\$ .37	\$ .35
-----		
Average number of common shares outstanding (000's)	67,675	67,672
-----		

See notes to consolidated financial statements.

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Rohm and Haas Company and Subsidiaries

STATEMENTS OF CONSOLIDATED CASH FLOWS (Subject to Year-end Audit)

	Quarter Ended March 31,	
	1995	1994
-----		
CASH FLOWS FROM OPERATING ACTIVITIES	(Millions of dollars)	
-----		
Net earnings	\$ 79	\$ 67
Adjustments to reconcile net earnings to cash provided by operating activities:		
Depreciation	55	57
Deferred income taxes	12	15
Accounts receivable	(163)	(106)
Inventories	(20)	(20)
Accounts payable	29	(14)
Other working capital changes, net	(21)	8
Other, net	24	5
-----		
Net cash provided (used) by operating activities	(5)	12
-----		
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to land, buildings and equipment	(63)	(45)
Proceeds from the sale of facilities and investments	20	3
-----		

Net cash used by investing activities	(43)	(42)
-----		
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of long-term debt	8	--
Purchases of treasury stock	(5)	--
Repayments of long-term debt	(77)	(3)
Net change in short-term borrowings	51	46
Payment of dividends	(26)	(25)
Other, net	14	10
-----		
Net cash provided (used) by financing activities	(35)	28
-----		
Effect of exchange rate changes on cash	(1)	--
-----		
NET DECREASE IN CASH AND CASH EQUIVALENTS	\$ (84)	\$ (2)
-----		

See notes to consolidated financial statements.

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Rohm and Haas Company and Subsidiaries  
CONSOLIDATED BALANCE SHEETS (Subject to Year-end Audit)

	MARCH 31, 1995	December 31, 1994	March 31, 1994
-----			
ASSETS	(Millions of dollars)		
-----			
Current assets:			
Cash and cash equivalents	\$ 43	\$ 127	\$ 33
Receivables, net	842	679	710
Inventories (note d)	505	487	414
Prepaid expenses and other assets	140	147	156
-----			
Total current assets	1,530	1,440	1,313
-----			
Land, buildings and equipment	3,986	3,969	3,748
Less accumulated depreciation	2,025	2,009	1,881
-----			
Net land, buildings and equipment	1,961	1,960	1,867
-----			
Other assets	480	461	442
-----			
	\$3,971	\$3,861	\$3,622
-----			

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:

Notes payable	\$ 134	\$ 157	\$ 127
Accounts payable and accrued liabilities	693	699	572
Accrued income taxes	83	76	27
-----			
Total current liabilities	910	932	726
-----			
Long-term debt	647	629	698
Other liabilities	729	680	711
Stockholders' equity:			
\$2.75 Cumulative convertible preferred stock (note e)	134	134	135
Common stock: shares issued -- 78,652,380	197	197	197
Additional paid-in capital	151	151	151
Retained earnings	1,659	1,606	1,486
-----			
	2,141	2,088	1,969
Less: Treasury stock (note f)	327	323	321
Less: ESOP shares	155	156	161
Other equity adjustments	26	11	--
-----			
Total stockholders' equity	1,685	1,620	1,487
-----			
	\$3,971	\$3,861	\$3,622
-----			

See notes to consolidated financial statements.

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#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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(A) These interim financial statements are unaudited, but, in the opinion of management, all adjustments, which are of a normal recurring nature, have been made to present fairly the company's financial position, results of operations and cash flows. It is suggested that these financial statements be read in conjunction with the financial statements, accounting policies and the notes included in the company's annual report for the year ended December 31, 1994.

(B) The company is a party in various government enforcement and private actions associated with former waste disposal sites. The company is also involved in potential corrective actions at some of its manufacturing facilities. The amounts charged to earnings before tax for environmental remediation were \$26 million and \$4 million for the three months ended March 31, 1995 and 1994, respectively. The charge in the 1995 period is a result of a ruling on March 20, 1995 in Federal

District Court in Philadelphia whereby the company must indemnify SmithKline Beecham for costs related to the cleanup of contamination at the Whitmoyer waste site. The two companies had been sharing remediation costs under an interim agreement. Rohm and Haas Company disagrees with the decision and intends to appeal. At March 31, 1995, the reserves for remediation were \$196 million and probable insurance recoveries were \$72 million.

In addition to accrued environmental liabilities, the company has reasonably possible loss contingencies relating to environmental matters of approximately \$85 million. The company has also identified other sites where future environmental remediation expenditures may be required, but these expenditures are not reasonably estimable at this time. The company believes that these matters, when ultimately resolved, which may be over the next decade, will not have a material adverse effect on the consolidated financial position of the company, but could have a material adverse effect on consolidated results of operations in any given year.

(C) The company and its subsidiaries are parties to litigation arising out of the ordinary conduct of its business. Recognizing the amounts reserved for such items and the uncertainty of the outcome, it is the company's opinion that the resolution of all pending lawsuits and claims will not have a material adverse effect, individually or in the aggregate, upon the results of operations and the consolidated financial position of the company.

(D) Inventories consist of:  
(Millions of dollars)

	MAR. 31, 1995	Dec. 31, 1994	Mar. 31, 1994
	-----	-----	-----
Finished products and work in process	\$381	\$378	\$310
Raw materials and supplies	124	109	104
	----	----	----
Total inventories	\$505	\$487	\$414
	----	----	----

(E) The number of preferred shares issued and outstanding were:

March 31, 1995	2,671,722
December 31, 1994	2,676,515
March 31, 1994	2,703,301

(F) The number of common treasury shares were:

March 31, 1995	11,020,204
December 31, 1994	10,960,614
March 31, 1994	10,955,398

Dithane and Plexiglas are trademarks of Rohm and Haas Company.

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[LOGO]  
RESPONSIBLE CARE (R)  
A PUBLIC COMMITMENT

[LOGO]  
ROHM AND HAAS

APPENDIX TO EXHIBIT 20

(Pursuant to Part 232.304(a) of Regulation S-T)

Graphic	Description/Cross Reference
----- Cover	----- Company name with globe and words "First Quarter '95"
Pie Charts	Description included in introduction to Exhibit 20 (not incorporated by reference)

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<LEGEND> ROHM AND HAAS COMPANY AND SUBSIDIARIES  
FINANCIAL DATA SCHEDULE (MILLIONS OF DOLLARS)

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED  
FROM FINANCIAL STATEMENTS AS OF MARCH 31, 1995 AND IS QUALIFIED  
IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS

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