AMERICAN STANDARD COMPANIES INC
Form 10-Q
November 14, 2002

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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2002

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 1-11415

AMERICAN STANDARD COMPANIES INC.

(Exact name of Registrant as specified in its charter)

Delaware 13-3465896
(State or other jurisdiction of
incorporation or organization) (I.R.S. Employer
Identification No.) One Centennial Avenue, P.O. Box 6820, Piscataway,
NJ 08855-6820(Address of principal executive offices) (Zip
Code) Registrant s telephone number, including area code (732)
980-6000

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.

[X] Yes [ ] No

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date.

Common stock, $.01 par value, outstanding at October 31, 2002	72,461,586 shares

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PART 1. FINANCIAL INFORMATION

Item 1. Financial Statements

American Standard Companies Inc. (the Company) is a Delaware corporation that owns all the outstanding common stock of American Standard Inc. and American Standard International Inc. (ASII), both Delaware corporations. American Standard or the Company will refer to the Company, or to the Company and American Standard Inc. and ASII including their subsidiaries, as the context requires.

AMERICAN STANDARD COMPANIES INC. AND SUBSIDIARIES
UNAUDITED SUMMARY STATEMENT OF INCOME

(Dollars in millions except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2002	2001	2002	2001
Sales	$2,070.1	$1,885.0	$5,918.5	$5,715.1
Costs and expenses:				
Cost of sales	1,564.4	1,415.8	4,473.9	4,269.9
Selling and administrative expenses	303.7	281.8	888.6	868.7
Other (income) expense	(.7)	1.7	12.7	3.9
Interest expense	31.7	41.7	97.8	133.0
	1,899.1	1,741.0	5,473.0	5,275.5

Income before income taxes	171.0	144.0	445.5	439.6
Income taxes	56.9	54.0	148.4	164.9
Net income	$114.1	$90.0	$297.1	$274.7
Net income per common share:				
Basic	$1.58	$1.25	$4.11	$3.86
Diluted	$1.55	$1.23	$4.04	$3.76
Average common shares outstanding:				
Basic				

	72,267,482	71,837,275	72,316,859	71,317,942
Diluted				
	73,515,925	73,448,426	73,641,199	73,073,934

See accompanying notes

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Item 1. Financial Statements (continued)

AMERICAN STANDARD COMPANIES INC. AND SUBSIDIARIES
UNAUDITED SUMMARY BALANCE SHEET

(Dollars in millions, except share data)

	September 30, 2002	December 31, 2001
ASSETS		
Current assets:		
Cash and cash equivalents	$145.8	$82.1
Accounts receivable, less allowance for doubtful accounts: Sept. 2002 - $44.2; Dec. 2001 - $35.4	1,031.5	998.3
Inventories:		
Finished products	429.9	378.1
Products in process	144.6	135.3
Raw materials	169.3	143.7
	743.8	657.1
Other current assets	236.4	158.9
Total current assets	2,157.5	1,896.4
Facilities, less accumulated depreciation:		
Sept. 2002 - $746.7; Dec. 2001 - $657.8	1,362.6	1,362.8
Goodwill	971.6	929.0
Other assets	728.0	643.2

Total assets	$5,219.7	$4,831.4
LIABILITIES AND SHAREHOLDERS EQUITY (DEFICIT)		
Current liabilities:		
Loans payable to banks	$85.7	$58.7
Current maturities of long-term debt	4.5	11.4
Accounts payable	643.0	604.1
Accrued payrolls	292.6	265.2
Other accrued liabilities	842.5	748.9
Total current liabilities	1,868.3	1,688.3
Long-term debt	2,004.8	2,142.0
Reserve for post-retirement benefits	489.0	489.5
Other liabilities	698.2	601.7
Total liabilities	5,060.3	4,921.5
Shareholders equity (deficit):		
Preferred stock, 2,000,000 shares authorized, none issued and outstanding		

Common stock $.01 par value, 200,000,000 shares authorized; shares issued and outstanding:		
72,369,334 in 2002; 72,071,944 in 2001	.7	.7
Capital surplus	717.9	707.2
Unearned compensation	(3.1)	(5.2)
Treasury stock	(545.8)	(505.3)
Retained earnings	354.1	57.0
Accumulated other comprehensive income:		
Foreign currency translation effects	(348.0)	(331.8)
Deferred loss on hedge contracts, net of tax	(4.7)	(1.0)
Minimum pension liability adjustment, net of tax	(11.7)	(11.7)
Total shareholders equity (deficit)	159.4	(90.1)
	$5,219.7	$4,831.4

See accompanying notes

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Item 1. Financial Statements (continued)

AMERICAN STANDARD COMPANIES INC. AND SUBSIDIARIES
UNAUDITED SUMMARY STATEMENT OF CASH FLOWS

(Dollars in millions)

	Nine months ended September 30,	
	2002	**2001**
Cash provided (used) by:		
Operating activities:		
Net income	$297.1	$274.7
Adjustments to reconcile net income to net cash provided by operations:		
Depreciation and amortization	155.2	169.6
Non-cash stock compensation	40.9	46.6
German tax settlement paid	(55.0)	
Job elimination expenses paid	(26.4)	
Restructuring charges paid	(4.1)	(25.1)
Changes in assets and liabilities:		
Accounts receivable	(103.3)	(125.9)
Inventories	(75.4)	(93.5)
Accounts payable	16.6	(19.3)
Other accrued liabilities and taxes	117.7	67.6
Other assets	(76.4)	(62.0)
Other long-term liabilities	60.2	49.3
Net cash provided by operating activities before proceeds from initial sale of receivables		

347.1 282.0
Proceeds from initial sale of receivables, net
81.4

Net cash provided by operating activities
428.5 282.0
Investing activities:

Purchase of property, plant and equipment
(91.1) (104.4)
Investments in affiliated companies and other businesses
(22.0) (30.9)
Investments in computer software
(30.3) (41.7)
Proceeds from dissolution of receivables financing joint venture
25.8
Proceeds from sale and leaseback transactions
26.6
Other
13.6 10.0

Net cash used by investing activities
(104.0) (140.4)

Financing activities:

Repayments of long-term debt
(39.8) (3.5)
Net change in revolving credit facilities
(167.2) (82.6)
Net change in other short-term debt
24.8 (6.8)
Purchases of treasury stock
(135.7) (92.1)
Proceeds from exercise of stock options
51.4 83.9
Purchase of warrants

		(35.3)
Other	5.6	5.5
Net cash used by financing activities	(260.9)	(130.9)
Effect of exchange rate changes on cash and cash equivalents	.1	(.8)
Net increase in cash and cash equivalents	63.7	9.9
Cash and cash equivalents at beginning of period	82.1	85.4
Cash and cash equivalents at end of period	$145.8	$95.3

See accompanying notes

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AMERICAN STANDARD COMPANIES INC.
NOTES TO FINANCIAL STATEMENTS

Note 1. Basis of Financial Statement Presentation

The accompanying condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions for Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments, consisting only of normal recurring items, considered necessary for a fair presentation of financial data have been included. The results of operations for interim periods are not necessarily indicative of the results that may be expected for the entire year. The condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and accompanying notes included in the Company s Annual Report on Form 10-K for the year ended December 31, 2001.

Note 2. Restructuring and Asset Impairment Charges

2000 Restructuring Program

As described in Note 5 of Notes to Financial Statements included in the Company s Annual Report on Form 10-K for the year ended December 31, 2001, in 2000, the Company announced a worldwide restructuring program that included improving efficiency through the transfer of production to locations with lower costs, the closure of manufacturing and administrative facilities, outsourcing production of certain products, capitalizing on synergistic opportunities in several businesses and termination costs related to upgrading the effectiveness of the organization. In connection with this program, in the fourth quarter of 2000 the Company recorded a net restructuring and asset impairment charge of $70 million ($51 million net of tax benefits, or $.71 per diluted share). This charge was comprised of $26 million for Air Conditioning Systems and Services, $34 million for Bath and Kitchen and $15 million for Vehicle Control Systems, offset by a $5 million reversal of restructuring charges recorded previously for a 1998-1999 restructuring program as the Company was able to complete the activities at lower cost than originally estimated. The Air Conditioning Systems and Services charge included costs related to a workforce reduction of 700 people to integrate international operations, costs of lease obligations on properties no longer to be used, and asset impairment charges. The Bath and Kitchen charge included an asset impairment write-down for the closure of one plant in the U.S., a workforce reduction of 250 people and the transfer of production to other facilities in the Americas. The Bath and Kitchen charge also included termination costs for a workforce reduction of 350 people as a result of the centralization and realignment of certain functions in Western Europe, the Americas and Asia to eliminate redundancies. The Vehicle Control Systems charge primarily reflects the transfer of production to the lower-labor cost facility in Poland and consolidation of certain operations and administrative functions in Western Europe to eliminate redundancies, resulting in a net workforce reduction of 450 people.

In 2001 the majority of the actions described above were completed for substantially the same amounts as originally accrued. With respect to the other actions, the Company was able to settle certain items on more favorable terms than expected and others on less favorable terms. Additionally, the scope of certain activities was changed. For Air Conditioning Systems and Services, the Company was able to release employees on more favorable terms than originally contemplated and terminate lease obligations more favorably than expected, resulting in a $5 million reversal of the accrual. However, the Company incurred additional costs of $4 million, principally related to discontinuing certain product lines in Europe. This additional cost was charged to restructuring expense in 2001. For Vehicle Control Systems, the Company did not undertake all of its planned activities for consolidating administrative functions in Western Europe and therefore reversed $4 million of the 2000 accrual. However, the scope of the production transfer to Poland

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was expanded and accelerated, resulting in additional costs of $11 million, primarily for severance, which was charged to restructuring expense in 2001. Bath and Kitchen terminated fewer people than planned, resulting in a $3 million reversal of the 2000 accrual. However, in 2001 Bath and Kitchen incurred additional restructuring costs, principally severance of $2 million in North America.

Following is a summary of the 2000 restructuring program and asset impairment charges through September 30, 2002 (dollars in millions):

	Initial Charge 2000	Non-Cash Write-off in 2000	Balance Dec. 31, 2000	Charges Accrued in 2001	Charges Reversed in 2001	Paid in 2001	Balance Dec. 31, 2001	Paid in 2002	Balance Sept. 30, 2002
Termination payments and other employee costs	$47.4	$	$47.4	$11.7	$(9.4)	$(44.8)	$4.9	$(2.9)	$2.0
Asset impairments	24.1	(24.1)							
Other	3.7		3.7	6.1	(2.9)	(5.5)	1.4	(1.2)	.2
	$75.2	$(24.1)	$51.1	$17.8	$(12.3)	$(50.3)	$6.3	$(4.1)	$2.2

The Company expects that essentially all of the $2.2 million balance as of September 30, 2002 related to the 2000 restructuring program will be utilized in 2002.

Note 3. Comprehensive Income

Total comprehensive income consisted of the following (dollars in millions):

	Three months ended September 30,		Nine months ended September 30,	
	2002	2001	2002	2001
Net income	$114.1	$90.0	$297.1	$274.7
Foreign currency translation effects	(56.5)	(14.6)	(16.2)	(12.2)
Deferred gain (loss) on hedge contracts, net of tax	(6.7)	(.3)	(3.7)	(4.6)
Total comprehensive income	$50.9	$75.1	$277.2	$257.9

Note 4. Tax Matters

The Company had been in discussions and negotiations with The State Finance Administration for North Rhine-Westphalia, Germany (the German Tax Authority) concerning certain tax issues covering the years 1984 - 1994. For the years 1984 - 1990, the Company received a tax assessment from the German Tax Authority in the amount of $90 million. For years 1991 - 1994, the Company anticipated a further assessment for an amount substantially greater than that assessed for 1984 - 1990. On January 15, 2002, the Company settled all issues for 1984 through 1994 for a cash payment of approximately $55 million plus $30 million previously deposited in escrow. Since the Company previously had provided reserves for all issues, the settlement had no impact on results of operations.

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Note 5. Earnings Per Share

The average number of outstanding shares of common stock used in computing diluted earnings per share for the three months ended September 30, 2002 and 2001 included 1,248,443 and 1,611,151 average incremental shares, respectively, for the assumed exercise of stock options. The nine-month periods ended September 30, 2002 and 2001 included 1,324,340 and 1,755,992 average incremental shares, respectively.

Note 6. Adoption of New Accounting Standard for Goodwill and Other Intangible Assets

In 2001, the Financial Accounting Standards Board issued Statements of Financial Accounting Standards No. 142, Goodwill and Other Intangible Assets, effective for fiscal years beginning after December 15, 2001. Under the new rules, goodwill and intangible assets deemed to have indefinite lives will no longer be amortized but will be subject to annual impairment tests. Other intangible assets will continue to be amortized over their useful lives. The Company began applying the new rules in the first quarter of 2002. Application of the non-amortization provisions of FAS 142 resulted in a third quarter 2002 net income increase of $7.5 million, or $.10 per diluted share, an increase of $22.4 million, or $.30 per diluted share for the nine months ended September 30, 2002, and is expected to result in an increase in net income of approximately $30 million, or $.40 per diluted share annually. During the first nine months of 2002, the Company performed the first of the required impairment tests of goodwill and indefinite-lived intangible assets and determined that there was no impairment.

Following is a summary of net income for the three months and nine months ended September 30, 2002, compared with net income for the three months and nine months ended September 30, 2001, as reported and as adjusted to exclude goodwill amortization (dollars in millions):

	Three months ended September 30,		Nine months ended September 30,	
	2002	2001	2002	2001
Reported net income	$114.1	$90.0	$297.1	$274.7
Add goodwill amortization, net of income taxes in 2001 (a)		7.5		22.4
Adjusted net income	$114.1	$97.5	$297.1	$297.1

Basic earnings per share:

Reported net income	$1.58	$1.25	$4.11	$3.86
Goodwill amortization		.11		.31
Adjusted net income	$1.58	$1.36	$4.11	$4.17

Diluted earnings per share:

Reported net income	$1.55	$1.23	$4.04	$3.76
Goodwill amortization		.10		.30
Adjusted net income	$1.55	$1.33	$4.04	$4.06

(a) In certain foreign countries goodwill amortization is deductible for tax purposes, resulting in tax benefits of $.4 million and $1.2 million for the three and nine months ended September 30, 2001.

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Note 7. Accounts Receivable Securitization Agreements

To reduce its borrowing cost, in May and September 2002 the Company established accounts receivable financing facilities in Europe and the U.S. with major international banks. As part of these facilities, the Company formed wholly-owned, special purpose subsidiaries (in Europe, the ESPE; in the U.S., the USSPE; collectively, the SPEs) for the sole purpose of buying and selling receivables generated by the Company. Under these facilities the Company irrevocably and without recourse, transfers all eligible accounts receivable to the SPEs which in turn, sell them, or interests therein, to conduits administered by the banks. The assets of the SPEs are not available to pay the claims of the Company, American Standard Inc., or any other entity. The Company retains a subordinated interest in the receivables sold of approximately 10% to 15% for ESPE and 40% for USSPE. The conduits obtain the funds to purchase the interests in the receivables, other than the retained interest, by selling commercial paper to third party investors. Advances from the conduits to the SPEs are limited to approximately $425 million (250 million, or approximately $250 million at current exchange rates under the European facility, and $175 million under the U.S. facility). These facilities are for three years, subject to annual renewals and for the European facility, the maintenance of specified debt rating levels, and for the U.S. facility, the maintenance of certain financial covenants. The Company is currently in compliance with these covenants.

The receivables sold are removed from the balance sheet since they meet the applicable criteria of Statement of Financial Accounting Standards No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities* . The Company s retained interest is recorded at fair value in other current assets in the Company s Consolidated Balance Sheet. Losses are recognized when the receivables are sold to the extent that the cash and value of the retained interest is less than the net book value of the receivables sold. Those losses amounted to $5.7 million for the nine months ended September 30, 2002, and were recorded in other expenses in the Statement of Income.

In addition, on August 31, 2002, the Company terminated its activities in American Standard Financial Services, a financial services partnership with Transamerica Commercial Finance Corporation that had previously provided receivables financing in the U.S., and bought back $256 million of trade receivables. The majority of these receivables were sold to the USSPE.

Following is a summary of receivables subject to the financing facilities as of September 30, 2002, (in millions):

	ESPE	USSPE	Total
Outstanding balances of receivables sold to SPEs	$254.4	$230.1	$484.5
Retained interest	$31.8	$97.0	$128.8
Advances from conduits	$249.6	$151.4	$401.0

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Following is a summary of cash flows received or paid on the initial receivables transactions during the nine months ended September 30, 2002 (in millions):

	ESPE	USSPE	Total
Cash flows from initial sale of receivables	$224.6	$154.9	$379.5
Less the effect of termination of previous arrangements	(42.5)	(255.6)	(298.1)
Proceeds from initial sale of receivables, net	$182.1	$(100.7)	$81.4

As of September 30, 2002, the interest rate on amounts outstanding under the European facility was 1.83% and under the U.S. facility was 1.76%.

Note 8. Impact of Other Recently Issued Accounting Standards

In August 2001, the Financial Accounting Standards Board issued Statements of Financial Accounting Standards No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets,* effective for fiscal years beginning after December 15, 2001. The statement establishes new rules on accounting for impairments of long-lived assets and provides guidance on differentiating between assets held and used, held for sale, and held for disposal other than by sale. The new statement was adopted by the Company at the beginning of 2002 with no significant effect on the Company s results of operations or financial position. Other FASB statements recently issued have little or no immediate effect on the Company and will have an effect in the future only in the event the Company enters into transactions governed by those statements. Those statements included No. 143, *Accounting for Asset Retirement Obligations;* No. 145*, Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No.13 (leases), and Technical Corrections;* and No. 146, *Accounting for Costs Associated with Exit or Disposal Activities.*

Note 9. Debt

On January 8, 2002, the Company redeemed all of the 9 1/4% Sinking Fund Debentures, at a redemption price 102.313% of the face amount of the bonds plus unpaid interest up to the redemption date. The total redemption cost of $38.7 million, including accrued interest of $.4 million, was paid with lower-cost borrowings under the Company s credit agreements.

Effective November 5, 2002, the 364-day facility was renewed in the amount of $150 million until November 4, 2003, and was classified as long-term debt in the balance sheet as of September 30, 2002 because the Company had the ability and the intent to renew it or to refinance it with borrowings under the five-year facility.

The Company s 7 1/8% Senior Notes due February 15, 2003, have also been classified as long-term debt as of September 30, 2002 because the Company has the ability and the intent to refinance them with borrowings under the five-year facility or future borrowings under the remaining $540 million of a shelf registration statement filed with the Securities and Exchange Commission in 1998.

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Note 10. Supplemental Consolidating Condensed Financial Information

All of the Company s Senior Notes were issued by its 100% owned subsidiary, American Standard Inc. (ASI). American Standard Companies Inc. (the Parent Company) fully and unconditionally guarantees the payment obligations under these securities (the ASI Public Debt). In lieu of providing separate financial statements for ASI, included is the accompanying consolidating condensed financial information. Management believes that separate financial statements of ASI are not material to investors. The following supplemental financial information sets forth, on an unconsolidated basis, statements of income for the three months and nine months ended September 30, 2002 and 2001, statements of cash flows for the nine months ended September 30, 2002 and 2001 and balance sheets as of September 30, 2002 and December 31, 2001 for the Parent Company, ASI, and the subsidiaries of the Parent Company which are not subsidiaries of ASI (the Other Subsidiaries). None of the Other Subsidiaries guarantees the ASI Public Debt. The equity method of accounting is used to reflect investments of the Parent Company in ASI and Other Subsidiaries.

CONSOLIDATING CONDENSED STATEMENTS OF INCOME
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2002
(Unaudited)

(Dollars in millions)	Parent Company	ASI	Other Subsidiaries	Eliminations	Consolidated Total
Sales		$1,200.1	$902.1	$(32.1)	$2,070.1
Costs and expenses:					
Cost of sales		906.0	690.5	(32.1)	1,564.4
Selling and administrative expenses		165.8	137.9		303.7
Other (income) expense		(2.5)	1.8		(.7)
Interest expense		29.5	2.2		31.7
Intercompany interest expense (income)		(1.7)	1.7		
Total expenses		1,097.1	834.1	(32.1)	1,899.1

Income before income taxes and equity in net income of consolidated subsidiaries
103.0 68.0 171.0
Income taxes
35.5 21.4 56.9

Income before equity in net income of consolidated subsidiaries
67.5 46.6 114.1
Equity in net income of consolidated subsidiaries
$114.1 $(114.1)

Net income
$114.1 $67.5 $46.6 $(114.1) $114.1

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Note 10. Supplemental Consolidating Condensed Financial Information (continued)

CONSOLIDATING CONDENSED STATEMENTS OF INCOME
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2002
(Unaudited)

(Dollars in millions)	Parent Company	ASI	Other Subsidiaries	Eliminations	Consolidated Total
Sales		$3,440.8	$2,704.2	$(226.5)	$5,918.5
Costs and expenses:					
Cost of sales		2,606.5	2,093.9	(226.5)	4,473.9
Selling and administrative expenses		486.8	401.8		888.6
Other expense		1.8	10.9		12.7
Interest expense		90.9	6.9		97.8
Intercompany interest (income) expense		(1.4)	1.4		
Total expenses		3,184.6	2,514.9	(226.5)	5,473.0
Income before income taxes and equity in net income of consolidated subsidiaries		256.2	189.3		445.5
Income taxes		88.5	59.9		148.4

Income before equity in net income of consolidated subsidiaries
167.7 129.4 297.1
Equity in net income of consolidated subsidiaries
$297.1 (297.1)

Net income
$297.1 $167.7 $129.4 $(297.1) $297.1

CONSOLIDATING CONDENSED BALANCE SHEETS
AS OF SEPTEMBER 30, 2002
(Unaudited)

(Dollars in millions)	Parent Company	ASI	Other Subsidiaries	Eliminations	Consolidated Total
ASSETS					
Current assets:					
Cash and cash equivalents		$17.5	$128.3		$145.8
Accounts receivable, net	$ .3	520.6	510.6		1,031.5
Inventories		349.0	394.8		743.8
Other current assets		181.5	54.9		236.4

Total current assets	.3	1,068.6	1,088.6		2,157.5
Facilities, net		550.7	811.9		1,362.6
Goodwill, net		131.4	840.2		971.6
Investment in subsidiaries	791.1			$(791.1)	
Other assets		558.3	169.7		728.0
Total assets	$791.4	$2,309.0	$2,910.4	$(791.1)	$5,219.7

LIABILITIES AND SHAREHOLDERS (DEFICIT) EQUITY

Current liabilities:

Loans payable to banks		$18.0	$67.7		$85.7
Current maturities of long-term debt		3.1	1.4		4.5
Other current liabilities		1,050.5	727.6		1,778.1

Total current liabilities		1,071.6	796.7		1,868.3
Long-term debt		1,946.2	58.6		2,004.8
Reserve for postretirement benefits		258.8	230.2		489.0
Intercompany accounts, net	$632.0	145.6	(777.6)		
Other long-term liabilities		401.4	296.8		698.2
Total liabilities	632.0	3,823.6	604.7	$	5,060.3
Total shareholders (deficit) equity	159.4	(1,514.6)	2,305.7	(791.1)	159.4
Total liabilities and shareholders equity	$791.4	$2,309.0	$2,910.4	$(791.1)	$5,219.7

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Note 10. Supplemental Consolidating Condensed Financial Information (continued)

CONSOLIDATING CONDENSED STATEMENTS OF CASH FLOW
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2002
(Unaudited)

(Dollars in millions)	Parent Company	ASI	Other Subsidiaries	Eliminations	Consolidated Total
Cash provided (used) by:					
Operating activities:					
Net income	$297.1	$167.7	$129.4	$(297.1)	$297.1
Adjustments to reconcile net income to net cash provided (used) by operations:					
Depreciation and amortization		64.0	91.2		155.2
Non-cash stock compensation		40.9			40.9
German tax settlement paid			(55.0)		(55.0)
Job elimination expenses paid		(17.8)	(8.6)		(26.4)
Restructuring charges paid		(2.2)	(1.9)		(4.1)
Equity in net income of subsidiaries	(297.1)			297.1	
Changes in assets and liabilities:					
Accounts receivable	.3	(25.7)	(77.9)		(103.3)
Inventories		(38.5)	(36.9)		(75.4)
Accounts payable			16.6		16.6
Other accrued liabilities and taxes		186.7	(69.0)		117.7
Other assets		(104.7)	28.3		(76.4)
Other long-term liabilities		57.5	2.7		60.2

Net cash provided (used) by operating activities before proceeds from initial sale of receivables
.3 327.9 18.9 347.1
Proceeds from initial sale of receivables, net
(100.7) 182.1 81.4

Net cash provided (used) by operating activities
.3 227.2 201.0 428.5

Investing activities:

Purchase of property, plant and equipment
(37.9) (53.2) (91.1)
Investments in affiliated companies and other businesses
(22.0) (22.0)
Investments in computer software
(16.4) (13.9) (30.3)
Proceeds from dissolution of partnership
25.8 25.8
Other
3.0 10.6 13.6

Net cash used by investing activities
(47.5) (56.5) (104.0)

Financing activities:

Repayments of long-term debt
(38.6) (1.2) (39.8)
Net change in revolving credit facilities
(217.5) 50.3 (167.2)
Net change in other short-term debt
17.9 6.9 24.8
Purchases of treasury stock
(135.7) (135.7)
Net change in intercompany accounts
78.4 72.9 (151.3)
Proceeds from exercise of stock options
51.4 51.4
Other
5.6 5.6

Net cash provided (used) by financing activities
(.3) (165.3) (95.3) (260.9)

Effect of exchange rate changes on cash and cash equivalents
.1 .1

Net increase (decrease) in cash and cash equivalents	14.4	49.3	63.7
Cash and cash equivalents at beginning of period	3.1	79.0	82.1
Cash and cash equivalents at end of period	$ $17.5	$128.3	$ $145.8

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Note 10. Supplemental Consolidating Condensed Financial Information (continued)

CONSOLIDATING CONDENSED STATEMENTS OF INCOME
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2001
(Unaudited)

(Dollars in millions)	Parent Company	ASI	Other Subsidiaries	Eliminations	Consolidated Total
Sales		$1,113.8	$835.3	$(64.1)	$1,885.0
Costs and expenses:					
Cost of sales		849.7	630.2	(64.1)	1,415.8
Selling and administrative expenses		151.9	129.9		281.8
Other (income) expense		(4.5)	6.2		1.7
Interest expense		35.1	6.6		41.7
Intercompany interest expense (income)		3.9	(3.9)		
Total expenses		1,036.1	769.0	(64.1)	1,741.0
Income before income taxes and equity in net income of consolidated subsidiaries		77.7	66.3		144.0
Income taxes		29.5	24.5		54.0

Income before equity in net income of consolidated subsidiaries
48.2 41.8 90.0
Equity in net income of consolidated subsidiaries
$90.0 $(90.0)

Net income
$90.0 $48.2 $41.8 $(90.0) $90.0

CONSOLIDATING CONDENSED STATEMENTS OF INCOME
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2001
(Unaudited)

(Dollars in millions)	Parent Company	ASI	Other Subsidiaries	Eliminations	Consolidated Total
Sales		$3,341.0	$2,551.4	$(177.3)	$5,715.1

Costs and expenses:

Cost of sales
2,526.3 1,920.9 (177.3) 4,269.9
Selling and administrative expenses
475.5 393.2 868.7
Other (income) expense
(17.5) 21.4 3.9
Interest expense

107.3 25.7 133.0
Intercompany interest expense (income)
15.7 (15.7)

Total expenses
3,107.3 2,345.5 (177.3) 5,275.5

Income before income taxes and equity in net income of consolidated subsidiaries
233.7 205.9 439.6
Income taxes
89.0 75.9 164.9

Income before equity in net income of consolidated subsidiaries
144.7 130.0 274.7
Equity in net income of consolidated subsidiaries
$274.7 (274.7)

Net income	$274.7	$144.7	$130.0	$(274.7)	$274.7

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Note 10. Supplemental Consolidating Condensed Financial Information (continued)

CONSOLIDATING CONDENSED BALANCE SHEETS
AS OF DECEMBER 31, 2001
(Unaudited)