GOODRICH CORP
Form 10-Q
May 05, 2005

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

Form 10-Q

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

For The Quarterly Period Ended March 31, 2005

OR

o 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 1-892

GOODRICH CORPORATION
(Exact name of registrant as specified in its charter)

New York *(State of incorporation)*	**34-0252680** *(I.R.S. Employer Identification No.)*
Four Coliseum Centre **2730 West Tyvola Road** **Charlotte, North Carolina** *(Address of principal executive offices)*	**28217** *(Zip Code)*

Registrant s telephone number, including area code: (704) 423-7000

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 þ No o

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes þ No o

As of March 31, 2005, there were 120,543,337 shares of common stock outstanding (excluding 14,000,000 shares held by a wholly owned subsidiary). There is only one class of common stock.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of Goodrich Corporation

We have reviewed the condensed consolidated balance sheet of Goodrich Corporation as of March 31, 2005, and the related condensed consolidated statement of income for the three-month periods ended March 31, 2005 and 2004, and the condensed consolidated statement of cash flows for the three-month periods ended March 31, 2005 and 2004. These financial statements are the responsibility of the Company s management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures to financial data, and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the condensed consolidated financial statements referred to above for them to be in conformity with U.S. generally accepted accounting principles.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of Goodrich Corporation and subsidiaries as of December 31, 2004, and the related consolidated statements of income, shareholders equity, and cash flows for the year then ended, not presented herein; and in our report dated February 25, 2005, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2004, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ Ernst & Young LLP

Charlotte, North Carolina
May 2, 2005

CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

	Three Months Ended March 31, 2005	Three Months Ended March 31, 2004
	(Dollars in millions, except per share amounts)	
Sales	$ 1,282.0	$ 1,162.1
Operating costs and expenses:		
Cost of sales	933.7	869.8
Selling and administrative costs	217.1	193.4
	1,150.8	1,063.2
Operating Income	131.2	98.9
Interest expense	(33.9)	(37.4)
Interest income	0.9	0.8
Other income (expense) net	(10.1)	(18.0)
Income from continuing operations before income taxes	88.1	44.3
Income tax expense	(30.6)	(13.7)
Income From Continuing Operations	57.5	30.6
Cumulative effect of change in accounting		16.2
Net Income	$ 57.5	$ 46.8
Basic Earnings Per Share:		
Continuing operations	$ 0.48	$ 0.26
Cumulative effect of change in accounting		0.14
Net Income	$ 0.48	$ 0.40
Diluted Earnings Per Share:		
Continuing operations	$ 0.47	$ 0.26
Cumulative effect of change in accounting		0.13
Net Income	$ 0.47	$ 0.39
Dividends declared per common share	$ 0.20	$ 0.20

See Notes to Condensed Consolidated Financial Statements (Unaudited).

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CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)

	March 31, 2005	December 31, 2004
	(Dollars in millions, except share amounts)	
Current Assets		
Cash and cash equivalents	$ 286.4	$ 297.9
Accounts and notes receivable, less allowances for doubtful receivables ($19.5 at March 31, 2005 and at December 31, 2004)	724.1	654.4
Inventories net	1,226.8	1,166.8
Deferred income taxes	115.2	118.9
Prepaid expenses and other assets	97.9	118.8
Total Current Assets	2,450.4	2,356.8
Property, plant and equipment net	1,144.8	1,165.0
Prepaid pension	261.2	275.5
Goodwill	1,299.5	1,266.3
Identifiable intangible assets net	491.4	507.0
Deferred income taxes	44.6	44.7
Other assets	593.7	602.2
Total Assets	$ 6,285.6	$ 6,217.5
Current Liabilities		
Short-term debt	$	$ 1.0
Accounts payable	527.2	511.5
Accrued expenses	726.4	733.2
Income taxes payable	317.5	294.4
Deferred income taxes	22.0	22.0
Current maturities of long-term debt and capital lease obligations	2.0	2.4
Total Current Liabilities	1,595.1	1,564.5
Long-term debt and capital lease obligations	1,893.8	1,899.4
Pension obligations	765.2	761.7
Postretirement benefits other than pensions	300.7	302.7
Deferred income taxes	19.9	33.7
Other non-current liabilities	308.4	312.6
Commitments and contingent liabilities		
Shareholders Equity		
Common stock $5 par value Authorized 200,000,000 shares; issued 134,126,676 shares at March 31, 2005 and 132,709,310 shares at December 31, 2004 (excluding 14,000,000 shares held by a wholly owned subsidiary)	670.6	663.5
Additional paid-in capital	1,115.0	1,077.9

Income retained in the business	153.0	119.5
Accumulated other comprehensive income/(loss)	(121.2)	(103.7)
Common stock held in treasury, at cost (13,583,339 shares at March 31, 2005 and 13,566,071 shares at December 31, 2004)	(414.9)	(414.3)
Total Shareholders Equity	1,402.5	1,342.9
Total Liabilities And Shareholders Equity	$ 6,285.6	$ 6,217.5

See Notes to Condensed Consolidated Financial Statements (Unaudited).

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

	Three Months Ended March 31, 2005	Three Months Ended March 31, 2004
	(Dollars in millions)	
Operating Activities		
Income from continuing operations	$ 57.5	$ 30.6
Adjustments to reconcile income from continuing operations to net cash provided by operating activities:		
Restructuring and consolidation:		
Expenses	3.2	1.8
Payments	(3.4)	(6.7)
Depreciation and amortization	54.9	54.5
Stock-based compensation expense	5.3	5.1
Deferred income taxes	(28.8)	33.9
Change in assets and liabilities, net of effects of acquisitions and dispositions of businesses:		
Receivables	(101.2)	(78.5)
Change in receivables sold, net	24.3	(14.5)
Inventories	(65.7)	(5.9)
Other current assets	33.3	(9.8)
Accounts payable	20.6	12.3
Accrued expenses	(2.0)	45.8
Income taxes payable	49.8	(43.3)
Tax benefit on non-qualified options	4.5	1.6
Other non-current assets and liabilities	(32.6)	21.6
Net Cash Provided By Operating Activities	19.7	48.5
Investing Activities		
Purchases of property, plant and equipment	(27.0)	(22.9)
Proceeds from sale of property, plant and equipment	0.2	
Payments made in connection with acquisitions, net of cash acquired	(8.8)	(0.5)
Net Cash Used By Investing Activities	(35.6)	(23.4)
Financing Activities		
Increase (decrease) in short-term debt, net	(1.0)	0.5
Repayment of long-term debt and capital lease obligations	(0.5)	(65.7)
Proceeds from issuance of common stock	34.1	13.9
Purchases of treasury stock	(0.6)	
Dividends	(23.8)	(23.5)
Distributions to minority interest holders	(2.4)	
Net Cash Provided (Used) By Financing Activities	5.8	(74.8)

Discontinued Operations		
Net cash provided by discontinued operations		
Effect of exchange rate changes on cash and cash equivalents	(1.4)	0.8
Net decrease in cash and cash equivalents	(11.5)	(48.9)
Cash and cash equivalents at beginning of year	297.9	378.4
Cash and cash equivalents at end of period	$ 286.4	$ 329.5

See Notes to Condensed Consolidated Financial Statements (Unaudited).

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Note 1. Basis of Interim Financial Statement Preparation

The accompanying unaudited condensed consolidated financial statements of Goodrich Corporation and its subsidiaries have been prepared in accordance with the instructions to Form 10-Q and do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. Unless indicated otherwise or the context requires, the terms we, our, us, Goodrich or Comp refer to Goodrich Corporation and its subsidiaries. The Company believes that all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Certain amounts in prior year financial statements have been reclassified to conform to the current year presentation. Operating results for the three months ended March 31, 2005 are not necessarily indicative of the results that may be achieved for the year ending December 31, 2005. For further information, refer to the consolidated financial statements and footnotes included in the Company s Annual Report on Form 10-K for the year ended December 31, 2004. Unless otherwise noted, disclosures pertain to the Company s continuing operations.

Note 2. New Accounting Standards

The Financial Accounting Standards Board (FASB) recently issued Statement of Financial Accounting Standards No. 151 (SFAS 151), Inventory Costs , an amendment of ARB No. 43, Chapter 4. Adoption of SFAS 151 is required by the year beginning January 1, 2006. The Company plans to adopt SFAS 151 no later than that date. The amendments made by SFAS 151 clarify that abnormal amounts of idle facility expense, freight, handling costs and wasted materials (spoilage) should be recognized as current-period charges and requires the allocation of fixed production overheads to inventory based on the normal capacity of the production facilities. While SFAS 151 enhances ARB 43 and clarifies the accounting for abnormal amounts of idle facility expense, freight, handling costs and wasted material (spoilage), the statement also removes inconsistencies between ARB 43 and IAS 2 and amends ARB 43 to clarify that abnormal amounts of costs should be recognized as period costs. Under some circumstances, according to ARB 43, the above listed costs may be so abnormal as to require treatment as current period charges. SFAS 151 requires these items be recognized as current-period charges regardless of whether they meet the criterion of so abnormal and requires allocation of fixed production overheads to the costs of conversion. This statement will apply to the Company s businesses if they become subject to abnormal costs as defined in SFAS 151. The Company is currently evaluating the impact, if any, that adoption of SFAS 151 will have on its consolidated financial statements.

On December 16, 2004, the FASB issued Statement of Financial Accounting Standards No. 123 (revised 2004) (SFAS 123(R)), Share-Based Payment , which is a revision of SFAS No. 123, Accounting for Stock-Based Compensation . SFAS 123(R) supersedes APB Opinion No. 25, Accounting for Stock Issued to Employees and amends Statement of Financial Accounting Standards No. 95, Statement of Cash Flows . Generally, the approach in SFAS 123(R) is similar to the approach described in SFAS 123. The Company adopted the SFAS 123 fair-value-based method of accounting for share-based payments effective January 1, 2004 using the modified prospective method described in Statement of Financial Accounting Standards No. 148, Accounting for Stock-Based Compensation-Transition and Disclosure . Currently, the Company uses the Black-Scholes formula to estimate the value of stock options granted to employees. SFAS 123(R) requires that the Company use the valuation technique that best fits the circumstances. The Company is currently evaluating other techniques. SFAS 123(R) requires that the benefits of tax deductions in excess of recognized compensation cost be reported as a financing cash flow, rather than as an operating cash flow; thus, reducing net operating cash flows and increasing net financing cash flows in the periods after the effective date. SFAS 123(R) also requires that the Company estimate the number of awards that are expected to vest and to revise the estimate as the actual forfeitures differ from the estimate. The effect of these items and other changes required by SFAS 123(R) is currently being evaluated. On April 14, 2005, the SEC announced that registrants that are not small business issuers may adopt SFAS 123(R) no later than the beginning of the first fiscal year beginning after June 15,

2005. The Company will adopt SFAS 123(R) on January 1, 2006.

On December 21, 2004, the FASB issued FASB Staff Position 109-1 (FSP 109-1) and 109-2 (FSP 109-2). FSP 109-1 provides guidance on the application of SFAS 109, Accounting for Income Taxes , with regard to the tax deduction on qualified production activities provision within H.R. 4520 The American Jobs Creation Act of 2004 (Act), that was enacted on October 22, 2004. FSP 109-2 provides guidance on a special one-time dividends received deduction on the repatriation of certain foreign earnings to qualifying U.S. taxpayers. The Act contains numerous provisions related to corporate and international taxation including repeal of the Extraterritorial Income (ETI) regime, creation of a new Domestic Production Activities (DPA) deduction and a temporary dividends received deduction related to repatriation of foreign earnings. The Act contains various effective dates and transition periods related to its provisions. Under the guidance provided in FSP 109-1 the new DPA deduction will be treated as a special deduction as described in SFAS 109. As such, the special deduction had no effect on the Company s deferred tax assets and liabilities existing at the enactment date. Rather, the impact of this deduction will be reported in the period in which the deduction is claimed on the Company s income tax return. The Company does not expect the net effect of the phase-out of the ETI deduction and phase-in of the new DPA deduction to result in a material impact on its effective income tax rate in 2005. In FSP 109-2, the FASB acknowledged that, due to the proximity of the Act s enactment date to many companies year-ends and the fact that numerous provisions within the Act are complex and pending further regulatory guidance, many companies may not be in a position to assess the impact of the Act on their plans for repatriation or reinvestment of foreign earnings. Therefore, the FSP provided companies with a practical exception to the permanent reinvestment standards of SFAS 109 and APB No. 23 by providing additional time to determine the amount of earnings, if any, that they intend to repatriate under the Act s provisions. The Company is not yet in a position to decide whether, and to what extent, it might repatriate foreign earnings to the United States. Therefore, under the guidance provided in FSP 109-2, no deferred tax liability has been recorded in connection with the repatriation provisions of the Act. The Company is currently analyzing the impact of the temporary dividends received deduction provisions contained in the Act and expect to complete its analysis by June 30, 2005.

Note 3. Restructuring and Consolidation Costs

The Company incurred restructuring and consolidation costs and activity related to two types of restructuring and consolidation programs: (1) the Company s employee termination and facility closure programs other than the opening balance sheet restructuring and consolidation programs related to Aeronautical Systems; and (2) the Aeronautical Systems business restructuring programs. Information regarding each type of restructuring program is disclosed separately as follows:

Restructuring and Consolidation Costs excluding Aeronautical Systems Business Restructuring Program

The Company recorded restructuring and consolidation provisions as follows:

	Three Months Ended March 31,	
	2005	**2004**
	(Dollars in millions)	
Personnel-related costs	$ 2.5	$ 1.4
Facility closure and other costs	0.7	0.4
	$ 3.2	$ 1.8

The provisions were recorded across the Company s segments as follows:

	Three Months Ended March 31,	
	2005	2004
	(Dollars in millions)	
Airframe Systems	$ 2.2	$
Engine Systems	0.2	0.3
Electronic Systems	0.8	1.5
	$ 3.2	$ 1.8

The provision recorded for the three months ended March 31, 2005 of $3.2 million included charges of $3 million to Cost of Sales and $0.2 million to Selling and Administrative Costs in the Unaudited Condensed Consolidated Statement of Income. The provision recorded for the three months ended March 31, 2004 of $1.8 million included charges of $1 million to Cost of Sales and $0.8 million to Selling and Administrative Costs in the Unaudited Condensed Consolidated Statement of Income.

Restructuring and consolidation reserves at March 31, 2005, as well as activity during the three months ended March 31, 2005, consisted of:

	Balance December 31, 2004	Provision	Return to Profit	Cash Payments	Balance March 31, 2005
	(Dollars in millions)				
Personnel-related costs	$ 0.8	$ 2.9	$ (0.4)	$ (2.2)	$ 1.1
Facility closure and other costs	2.6	0.7		(0.5)	2.8
	$ 3.4	$ 3.6	$ (0.4)	$ (2.7)	$ 3.9

During the three months ended March 31, 2005, 43 employees were terminated as part of the personnel-related restructuring activities. As of March 31, 2005, the Company expects to further reduce employment levels by approximately 30 employees as part of these restructuring activities.

Of the $3.9 million balance in restructuring and consolidation reserves at March 31, 2005, $1.1 million is reserved for employee terminations and benefit payments as well as benefit payments for recently terminated employees, $1.8 million is reserved for facility closure and related costs and $1 million is reserved for environmental expenses associated with the closure of three facilities.

The balance, by segment, of the restructuring reserves at March 31, 2005 as well as the activity during the three months ended March 31, 2005 consisted of:

	Balance December 31, 2004	Provision	Return to Profit	Employee Termination Benefits	Facility Closure Costs	Balance March 31, 2005
	(Dollars in millions)					
Airframe Systems	$ 0.8	$ 2.6	$ (0.4)	$ (1.3)	$ (0.1)	$ 1.6
Engine Systems	1.0	0.2		(0.1)	(0.2)	0.9
Electronic Systems	1.6	0.8		(0.8)	(0.2)	1.4
	$ 3.4	$ 3.6	$ (0.4)	$ (2.2)	$ (0.5)	$ 3.9

Restructuring and Consolidation Costs Provision

The following is a description of key components of the $3.6 million provision for restructuring and consolidation costs recorded during the three months ended March 31, 2005:

Airframe Systems: The segment recorded a $2.6 million charge of which $2.5 million was for employee severance and benefits and $0.1 million was for equipment relocation costs, all related to the closure of a foreign facility. The reserve was reduced by a $0.4 million return to profit of previously recorded employee severance and benefit charges not required.

Engine Systems: The segment recorded a $0.2 million charge for facility closure costs consisting of $0.1 million for employee relocations and $0.1 million related to the closure of a domestic service facility.

Electronic Systems: The segment recorded a $0.8 million charge which included $0.4 million for employee benefits and severance costs and $0.3 million for facility closure costs related to the closure of a foreign manufacturing and service facility and $0.1 million in facility closure costs related to the closure of a domestic manufacturing and service facility.

Future Restructuring and Consolidation Costs

The Company expects to incur additional expenses of approximately $2 million for restructuring programs announced and initiated prior to January 1, 2005 related to ongoing restructuring programs. The Company expects to incur most of these restructuring charges during the remaining three quarters of 2005. Of the expected charges, approximately $1.3 million relates to facility closure costs, $0.4 million is for equipment relocation and $0.3 million is for expected employee terminations, relocations and benefits related to these facility closures. Of the $2 million in expected charges to restructuring and consolidation costs, the Electronic Systems segment expects to charge $1.9 million for the closure of a domestic service facility, a domestic manufacturing and service facility and a foreign manufacturing facility and the Engine Systems segment expects to incur $0.1 million for the closure of a domestic service facility.

Opening Balance Sheet Aeronautical Systems Business Restructuring Programs

Restructuring reserves were recorded in the opening balance sheet related to the acquisition of the Aeronautical Systems business. These consolidation and restructuring reserves relate primarily to personnel-related costs for employee termination benefits that the Company recorded as part of its integration effort in accordance with EITF Issue No. 95-3, Recognition of Liabilities in Connection with a Purchase Business Combination.

No additional restructuring reserves have been recorded related to the Aeronautical Systems acquisition. Restructuring and consolidation reserves at March 31, 2005 as well as the activity during the three months ended March 31, 2005 consisted of:

	Balance December 31, 2004	Cash Payments	Foreign Currency Translation	Balance March 31, 2005
	(Dollars in millions)			
Personnel-related costs	$ 3.9	$ (0.6)	$ (0.1)	$ 3.2
Facility closure and other costs	0.8			0.8
	$ 4.7	$ (0.6)	$ (0.1)	$ 4.0

The balance at March 31, 2005, by segment, of the opening balance sheet restructuring reserves as well as the activity during the three months ended March 31, 2005 consisted of:

	Balance December 31, 2004	Employee Termination Benefits	Employee Relocation Costs	Foreign Currency Translation	Balance March 31, 2005
	(Dollars in millions)				
Airframe Systems	$ 0.3	$	$	$	$ 0.3
Engine Systems	3.5	(0.4)		(0.1)	3.0
Electronic Systems	0.9		(0.2)		0.7
	$ 4.7	$ (0.4)	$ (0.2)	$ (0.1)	$ 4.0

During the three months ended March 31, 2005, no employees were terminated as part of the restructuring activities related to the acquisition of the Aeronautical Systems business. The $0.4 million paid for employee termination benefits were for retirement benefits related to previous employee terminations at a foreign operation. As of March 31, 2005, the Company expects to reduce employment levels by approximately 45 employees as part of the opening balance sheet restructuring activities. The remaining reserves will be used for future lease payments related to a redundant facility, costs to complete the closure of a redundant facility and return it to its original condition and a special early retirement program at a foreign operation.

Note 4. Other Income (Expense) Net

Other Income (Expense) Net consisted of the following:

	Three Months Ended March 31,	
	2005	2004
	(Dollars in millions)	
Retiree health care expenses related to divested businesses	$ (4.7)	$ (5.3)
Expenses related to divested businesses	(1.4)	(3.4)
Minority interest and equity in affiliated companies	(2.8)	(2.0)
Impairment of a note receivable		(7.0)
Other net	(1.2)	(0.3)
Other income (expense) net	$ (10.1)	$ (18.0)

Note 5. Asset Impairments

As shown in Note 4, Other Income (Expense) Net, the Company recorded a non-cash $7 million before tax asset impairment charge to Other Income (Expense) Net during the first quarter 2004 which resulted from the write-off of a certain note receivable due to insufficient collateral value arising out of the divestiture of a business.

Note 6. Cumulative Effect of Change in Accounting

In conjunction with the Audit Review Committee of the Company s Board of Directors, management reassessed the application of contract accounting at its aerostructures business. Specifically, consideration was given to whether or not the accounting methods used by the Company were appropriate given the predominance of an alternative method used by peer companies and changes in the nature of contractual relationships with the Company s customers. Effective January 1, 2004, the Company changed two aspects of the application of contract accounting to preferable methods at its aerostructures business that is included in the Engines Systems segment.

The Company changed its method of accounting for revisions in estimates of total revenue, total costs or extent of progress of a contract from the reallocation method to the cumulative catch-up method. Although both methods are used in practice to account for changes in estimates, American Institute of Certified Public Accountants Statement of Position 81-1, Accounting for Performance of Construction-Type and Certain Production-Type Contracts (SOP 81-1), indicates that the cumulative catch-up method is preferable. A contemporaneous review of accounting policy disclosures of peer companies in the same or similar industries indicated that the cumulative catch-up method was the predominant method of accounting for changes in estimates. The Company believes that consistency in financial reporting with peer companies, as well as with less significant business units within the consolidated group which already use the cumulative catch-up method, will enhance the comparability of financial data. The change was effected by adjusting contract profit rates from the balance to complete gross profit rate to the estimated gross profit rate at completion of the contract.

The Company also changed its accounting for pre-certification costs. Under the previous policy, pre-certification costs exceeding the level anticipated in the Company s original investment model used to negotiate contractual terms were expensed when determined regardless of overall contract profitability. This policy was appropriate in the past because aircraft and engine manufacturers typically reimbursed component suppliers directly for pre-certification costs up to an agreed-upon level. Recently, however, aircraft and engine manufacturers have begun to require component suppliers to participate more in the initial design and certification costs for products and are no longer specifically reimbursing non-recurring costs. Instead, the component supplier now typically absorbs these non-recurring costs and recovers those costs over the contract term through the price and margin of its product sales. Under the new policy, which was adopted January 1, 2004, pre-certification costs, including those in excess of original estimated levels, are included in total contract costs used to evaluate overall contract profitability. The Company believes the new method better reflects the substance of its current contractual arrangements and is more consistent with SOP 81-1, which indicates that all direct costs and indirect costs allocable to contracts should be included in the total contract cost.

The impact of the changes in accounting methods was to record a before tax gain of $23.3 million ($16.2 million after tax) as a Cumulative Effect of Change in Accounting representing the cumulative profit that would have been recognized prior to January 1, 2004 had these methods of accounting been in effect in prior periods.

Note 7. Earnings Per Share

The computation of basic and diluted earnings per share for income from continuing operations is as follows:

	Three Months Ended March 31,	
	2005	**2004**
	(In millions, except per share amounts)	
Numerator:		
Numerator for basic and diluted earnings per share income from continuing operations	$ 57.5	$ 30.6
Denominator:		
Denominator for basic earnings per share weighted- average shares	119.8	118.2
Effect of dilutive securities:		