Estimated future benefit payments for the next 10 years are as follows:

Fiscal Year	Retiree Medical	Retiree Life Insurance	Total	*(millions)*
2005	$ 5.4	$ .7	$ 6.1	
2006	5.5	.7	6.2	
2007	5.8	.8	6.6	
2008	6.0	.8	6.8	
2009	6.3	.9	7.2	
2010 - 2014	36.7	5.0	$41.7	

The assumed discount rate was 6.0% for 2004 and 2003, respectively.

The assumed annual rate of increase in the cost of covered health care benefits is 8.0% for 2005. It is assumed to decrease gradually to 4.5% in the year 2011 and remain at that level thereafter. Changing the assumed health care cost trend would have the following effect:

(millions)	1-Percentage-point increase	1-Percentage-point decrease
Effect on total of service and interest cost components in 2004	$ .9	$ (.8)
Effect on benefit obligation as of November 30, 2004	9.2	(7.7)

In December of 2003, the Medicare Prescription Drug Improvement and Modernization Act of 2003 (the Act) was enacted in the U.S. The Act introduced a prescription drug benefit under Medicare as well as a federal subsidy of 28% of drug costs between $250 and $5,000, tax-free (the Subsidy), to sponsors of retiree health benefit plans that provide a benefit that meets certain criteria. The Company's other postretirement plans covering U.S. retirees currently provide certain prescription benefits to eligible participants. The Company's actuaries have determined that one of the Company's prescription drug plans for retirees and their dependents retired prior to January 1, 2004 provides a benefit that is at least actuarially equivalent to Medicare Part D under the Act.

In connection with the adoption of FASB Staff Position 106-2, the Act had the effect of reducing the accumulated postretirement benefit obligation by $3.0 million. This resulted in an unrecognized net gain to the plan, which is currently being amortized. The annual reduction in the Company's other postretirement benefits expense due to the Subsidy is expected to be approximately $0.4 million, which includes the amortization of the unrecognized net gain. The provisions of the Act do not have a material effect on the consolidated financial statements.

11. INCOME TAXES

The provision for income taxes consists of the following:

(millions)	**2004**	2003	2002
Income taxes			
Current			
Federal	**$ 67.4**	$ 48.2	$ 29.3
State	**7.7**	4.1	1.4
International	**15.6**	15.5	17.6
	90.7	67.8	48.3
Deferred			
Federal	**1.5**	15.3	19.6
State	**–**	1.4	1.9
International	**(3.2)**	(1.1)	(.4)
	(1.7)	15.6	21.1
Total income taxes	**$ 89.0**	$ 83.4	$ 69.4

The components of income from consolidated continuing operations before income taxes follow:

(millions)	**2004**	2003	2002
Pretax income			
United States	**$204.5**	$175.6	$140.7
International	**89.3**	94.4	83.2
	$293.8	$270.0	$223.9

A reconciliation of the U.S. federal statutory rate with the effective tax rate follows:

	2004	2003	2002
Federal statutory tax rate	**35.0%**	35.0%	35.0%
State income taxes, net of federal benefits	**1.7**	1.3	1.0
Tax effect of international operations	**(5.8)**	(5.3)	(4.4)
Tax credits	**(.5)**	(.8)	(1.2)
Other, net	**(.1)**	.7	.6
Effective tax rate	**30.3%**	30.9%	31.0%

Deferred tax assets and liabilities are comprised of the following:

(millions)	**2004**	2003
Deferred tax assets		
Employee benefit liabilities	**$ 58.0**	$ 56.6
Accrued expenses and other reserves	**19.8**	18.1
Inventory	**3.7**	4.9
Net operating and capital loss carryforwards	**11.5**	7.9
Other	**38.5**	30.7
Valuation allowance	**(13.3)**	(7.0)
	118.2	111.2
Deferred tax liabilities		
Depreciation	**54.7**	49.4
Other	**38.4**	36.1
	93.1	85.5
Net deferred tax asset	**$ 25.1**	$ 25.7