003196

SIGNED THIS 14TH DAY OF MARCH 1996 JACKSONVILLE ARKANSAS

****

TO: U.S. EPA, Region 6 - Dallas, Texas

MAR 18 1996

FROM THE RESIDENTS OF JACKSONVILLE, ARKANSAS AND OUR NEIGHBORS LIVING IN NORTH PULASKI COUNTY.

****

We say: That the Supplemental Proposed Plan of Action Vertac Superfund Site, Jacksonville, Arkansas IS NOT ACCEPTABLE.

We stand and say: That the Jacksonville Plan dated July 1995 and formally endorsed by the residents as individuals and as members of all Civic organizations, the Chamber of Commerce, members of our congressional body and other concerned citizens.

IS STILL WHAT WE FEEL IS IN THE BEST INTEREST OF THE CITY, RESIDENTS AND COMMUNITY.

****

Please convey this united response to all levels of leadership in Region 6, and to members of our congressional body representing Arkansas in Washington.

We, the citizens are prepared to confirm this united response by special survey to every person living in our community. Results of such survey will be presented with a united front.

Marshall C. Smith   Beckie Brooks   [illegible]

Stephen W. DeFancey   Mickey Carles   [illegible]

William Tate   [illegible]   Thad Gray

****

81706

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THE JACKSONVILLE PLAN

HAS BEEN FORMALLY ENDORSED

BY THE FOLLOWING ORGANIZATIONS AND INDIVIDUALS:

JACKSONVILLE CHAMBER OF COMMERCE

JACKSONVILLE CITY COUNCIL

ROTARY CLUB

LIONS CLUB

KIWANIS CLUB

SERTOMA CLUB

SENATOR BILL GWATNEY

CONCERNED CITIZENS COALITION

003198

THE JACKSONVILLE PLAN

VERTAC SUPERFUND SITE
Jacksonville, Arkansas

PREPARED FOR:

THE CITIZENS OF JACKSONVILLE, ARKANSAS

PREPARED BY:

CONCERNED CITIZENS COALITION
JACKSONVILLE, ARKANSAS

JULY 1995

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TABLE OF CONTENTS

The Jacksonville Plan

VERTAC SUPERFUND SITE
Jacksonville, Arkansas
July 1995

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INTRODUCTION

During the past two months we have listened very carefully to virtually every point of view that has been published concerning this phase of the Vertac cleanup (OU2). We have toured the site on several occasions. We attended the Open House at the Ramada Inn and the Public Hearing at the Jacksonville Community Center. We have studied the EPA's proposed plan of action, and Hercules's preferred alternative in their feasibility study of OU2. Also, we have read the positions taken by the Chamber of Commerce (see Appendices A and B) and the Lions Club (see Appendix C) and have listened to the expressed concerns of the Rotary Club, Sertoma Club, Kiwanis Club, and individual citizens. We listened, learned, and studied. This done, we now believe it is appropriate to speak of the knowledge we have acquired. We have devised our own plan of action. We call it the Jacksonville Plan. We have incorporated certain points of merit from both the EPA's Proposed Plan of Action and Hercules' preferred plan. Also, we have incorporated many expressed concerns from the Chamber of Commerce, the Lions Club, other civic service organizations, and concerned individual citizens.

The objective of the Jacksonville Plan is to minimize the impact of the Vertac site on the community and its citizens. The plan maximizes safety, while maintaining stringent controls for site maintenance. This plan encompasses the location, size, and contents of the landfill; site security and aesthetics; and restoration of land for development. Because each of these aspects affects the others, this plan is designed to be comprehensive in its scope.

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LOCATION OF LANDFILL

The landfill shall be constructed on the extreme northwest section of the site (see Map 2). The citizens of Jacksonville are emphatic about the dimensions of the landfill. The base dimensions shall not exceed 500 feet by 500 feet; and the vertical height shall not exceed 25 feet.

CONSTRUCTION OF LANDFILL AND SITE SECURITY

We recommend the construction of a perimeter fence completely encircling the landfill (see Map 2). Just inside the fence, also encircling the landfill, the means for controlling runoff shall be constructed in the form of either a drainage swale or a french drain/shallow groundwater recovery system. This system shall be maintained in a manner eliminating all possibilities for migration of contaminated water and/or sediment off site.

Parallel and adjacent to the fence and between the fence and the trees, an unobstructed 75-foot wide grass security perimeter shall be constructed. This perimeter shall be maintained and mowed on a regular basis. A vegetative visual barrier will not need to be constructed because one already exists.

Naturally, a bridge and road will have to be constructed to allow access to the landfill from the current facility. These structures shall be of either concrete or asphalt to minimize dust and sediment migration into Rocky Branch Creek. A dirt or gravel road will not be acceptable.

We also understand that a leachate handling system will be required as part of the landfill. This system shall be protective of Rocky Branch Creek. We suggest that the system consist of a temporary holding tank coupled to a pump station with a direct pipeline to the on-site water treatment system.

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MINIMIZATION OF SIZE/CONTENTS OF ON-SITE LANDFILL

In order to stay within the dimension guidelines mentioned above, we suggest the following alternatives to those proposed by the EPA and Hercules.

1. Ship the following materials to a permitted facility for treatment and disposal.
    a. Wood debris resulting from demolition activities.
    b. Salt and ash.
    c. Bagged soils from off-site residential areas.
    d. Additional off-site soils.

    NOTE: If the wood debris is placed in the landfill, it must be shredded on site prior to placement.

2. Recover and decontaminate all steel from non-product piping and vessels, structural steel (I-beams), steel doors, sheet metal, etc. After decontamination, safely store the steel in a clean area until a suitable recipient can take possession. Recycle, if you will.

3. Place product piping and vessels, which could pose a problem for decontamination, into the landfill. Cut these materials into small manageable sections to allow for proper handling and compaction.

4. Place concrete, asphalt, bricks, and cinder blocks into the landfill. Prior to placing, use a rock crusher to crush these materials such that individual pieces do not exceed 18 inches along their longest axis. This dimension is a standard engineering criterion for controlled fill used in building roads, highways, foundations, etc., and will allow these materials to be useful in filling voids in the landfill. This dimension would also allow the material to be used as an intermediate grade above the leachate collection system.

5. The citizens of Jacksonville will allow Hercules, with the approval of the EPA, to choose which materials to place in the landfill as long as it is

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understood that they observe the dimension restrictions specified earlier. We are well aware that the contents of this landfill will be considerably less toxic than the burial grounds that have preceded it.

SITE SECURITY AND AESTHETICS EAST OF ROCKY BRANCH CREEK

At this time, we recommend the construction of the perimeter fence from the south property line, approximately 225 feet east of Rocky Branch Creek extending in a north, northeast direction to the juncture of the two existing fences running east-west and north-south (see Map 2).

All current burial areas, the drainage swale or the French drain/shallow groundwater recovery system, water treatment facility, and Hercules office(s) shall be contained within this perimeter/security fence.

Hercules shall construct a drainage swale or French drain/shallow groundwater recovery system along the inner edge of the security fence. This collection system shall be constructed and maintained in a manner allowing the groundwater to be captured, collected, and ultimately treated in the on-site water treatment facility. The collection and treatment systems shall be maintained in a manner sufficient to eliminate the potential for contaminant migration off site and to prevent impacting the vegetative visual barrier and adjacent cleaned areas.

We propose an unobstructed, grass security perimeter 75 feet wide immediately outside the fence along the north, south, and east property bounds (see Map 2). This area is to be maintained and mowed on a regular basis. This will allow security and maintenance personnel easy access to walk or drive the entire area if necessary. This will also allow maintenance and monitoring personnel access to all areas of the site for long-term monitoring activities and inspections.

Outside the grass security perimeter, we mandate that a tree line be established for an additional 75 feet adjacent to and paralleling the grass security perimeter. The trees should be mixed native hardwoods along with a sufficient number of

Loblolly and Short-Leaf pines, planted in a random pattern to provide an aesthetic year-round visual screen to the site. The trees selected should reach a height of 40 to 50 feet and be fast-growing species. This tree line is referred to as the vegetative visual barrier in Map 2. This visual barrier shall be maintained in a manner sufficient to eliminate visual breaches that would allow neighboring residents and passers-by to observe construction, demolition, and remediation activities. In the interim, during construction activities, yet prior to maturity of the vegetative visual barrier, we recommend that a temporary visual barrier be constructed along the existing fence line on the east and south property bounds (see Map 2).

All buildings and structures, including concrete and asphalt pavements and basins, within the existing Hercules security area are to be demolished and disposed of appropriately. The only facilities remaining at the site when work is complete shall be landscaped areas, burial areas, the water collection and treatment systems, and Hercules office and equipment storage buildings.

Hercules shall construct permanent office and equipment storage facilities. These structures shall be constructed of either wood, brick, or a combination of wood and brick. These structures shall be of sufficient size to accommodate the personnel (administrative, operational, and maintenance) and equipment necessary to perform their responsibilities without hesitation, reservation, or compromise. Trailers or mobile buildings suggest a temporary presence, are unattractive, and not befitting the stature of a company such as Hercules.

The citizens of Jacksonville will allow Hercules to clean all soils to an acceptable action level (5 parts per billion) within the security perimeter, as long as the action level can be proven to pose no potential risks to the community, citizens, and land outside the security perimeter. All areas outside the security perimeter to be cleaned to 1 part per billion of 2,3,7,8-Tetracholorodibenzo-p-Dioxin and toxic equivalents (TEQs).

All areas east of the Hercules security perimeter shall be reclaimed to original grade with a slope not to exceed a fall of 2 feet vertically per 100 feet horizontally. All low-lying areas should also be reclaimed to this elevation and grade--

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specifically, the low areas around the proposed Eastern Groundwater Recovery System. In short, a reasonably level plain with no low-lying areas to accumulate surface runoff and sediment. This plain shall extend from the security fence to Marshall Road.

No contaminated soils shall be used as filler for restoring the excavated areas to grade.

Unlike the Hercules preferred alternative and the EPA's proposed plan of action, the Jacksonville Plan will allow for the redevelopment of all the land east of the proposed Hercules security perimeter to Marshall Road.

PERPETUAL CARE AND MAINTENANCE TRUST FUND

In response to voiced concerns regarding long-term care and maintenance of the site, we recommend that Hercules set up a trust fund specifically for the perpetual care and maintenance of their "most significant site"--Jacksonville, Arkansas. Said fund shall be immune to bankruptcy, corporate insolvancy, or corporate take-over. The establishment of such a fund will protect the citizens from future uncertainty and will provide a measure of security for the city of Jacksonville. Providing for the perpetual care and maintenance of this site will have a most positive affect on the community.

SUMMARY

We believe that the EPA's proposed plan of action has many good points that merit consideration; however, it is insufficient in scope.

The Jacksonville Plan will certainly involve higher costs than the Hercules preferred alternative or the EPA plan of action because the limitations imposed upon the size of the proposed landfill will require more off-site treatment and disposal.

The Jacksonville Chamber of Commerce enumerated the economic impacts that have been experienced by this community in their Vertac Superfund Site Chamber Fact Sheet dated June 6, 1995 (Appendix A). Based on this report, the costs to the City of Jacksonville are incalculable.

> *"Vertac has damaged prime industrial property for Jacksonville. Because of the contamination of the Vertac site, Jacksonville has lost the economic benefit and jobs which would have been provided by industries utilizing the site.*
>
> *"Vertac has made industrial recruitment nearly impossible. The impact of Vertac looms over every industrial prospect which considers Jacksonville. Industrial sites which have no connection to Vertac require expensive environmental studies before they are considered.*
>
> *"Vertac has hurt the reputation of Jacksonville. If positive publicity is worth advertising dollars, negative publicity costs an equal amount. There is no way to adequately measure the tremendous damage done to the reputation of the City of Jacksonville by thirteen years of negative publicity.*
>
> *"Vertac has kept families from choosing to reside in Jacksonville. The Jacksonville economy has been further damaged by the decisions of families to reside someplace other than Jacksonville because of the Vertac controversy. Many families have mistakenly believed that the Jacksonville water supply was contaminated by Vertac wastes.*
>
> *"The economic loss to the City of Jacksonville caused by the Vertac controversy cannot adequately be measured and will never be fully known. However, it is obvious to all that the financial impact has been great. The surrounding cities of Sherwood and Cabot have experienced tremendous economic progress while Jacksonville has experienced only modest growth. The responsible parties should be required to contribute to a major community development project to help alleviate the economic damages to the City."*

We believe that now is the time for Hercules to truly become a good neighbor to the community. We are not asking for reparations. However, we insist that they demonstrate their good will by completing their obligation to restore the site. We encourage their acceptance of the Jacksonville Plan.

Hercules, in its Annual Report--Form 10-K, dated December 31, 1994, (see Appendix E) discusses the various remediation sites they are financially obligated to complete. In it, they refer to Jacksonville, Arkansas, as their "most significant site." Hercules states that potential costs for remediation of the Jacksonville site(s) are presently estimated between 23 million and 149 million dollars. We are certain that Hercules can implement this plan for considerably less than 149 million dollars.

Currently there is only one licensed commercial incinerator in operation that can treat the Vertac wastes. This incinerator is located in Coffeyville, Kansas. Currently demand exceeds capacity. Commercial toxic waste incineration is extremely profitable. Other companies will seek market share. Subsequently, we are convinced other commercial hazardous waste incinerators will be permitted.

We know this plan will increase some of the initial remediation costs and that it will require a little more time to implement. Of course, every citizen in Jacksonville wants this cleanup completed as quickly as possible. The Concerned Citizens Coalition is no exception. However, we caution against hasty solutions that are not far-reaching enough. We prefer a plan of action more protective and productive. The citizens of Jacksonville deserve no less than a responsive and considerate plan of action.

The Jacksonville Plan promulgated by the Concerned Citizens Coalition responds to the concerns of the Chamber as well as other civic organizations and members of the community. It is the only plan designed to meet the safety, environmental, and economic needs of the City of Jacksonville.

The public is encouraged to review this document and make comments to:

U.S. EPA, Region 6
1445 Ross Avenue, Suite 1200
Dallas, Texas 75202
Phone: (214) 665-6617
FAX: (214) 665-6460 or (214) 665-6660

Jacksonville City Hall
1 Industrial Drive
Jacksonville, Arkansas 72076
Phone: (501) 982-3146

ECO/CCC
124-B Warren Street
Jacksonville, Arkansas 72076
Phone: (501) 982-6119

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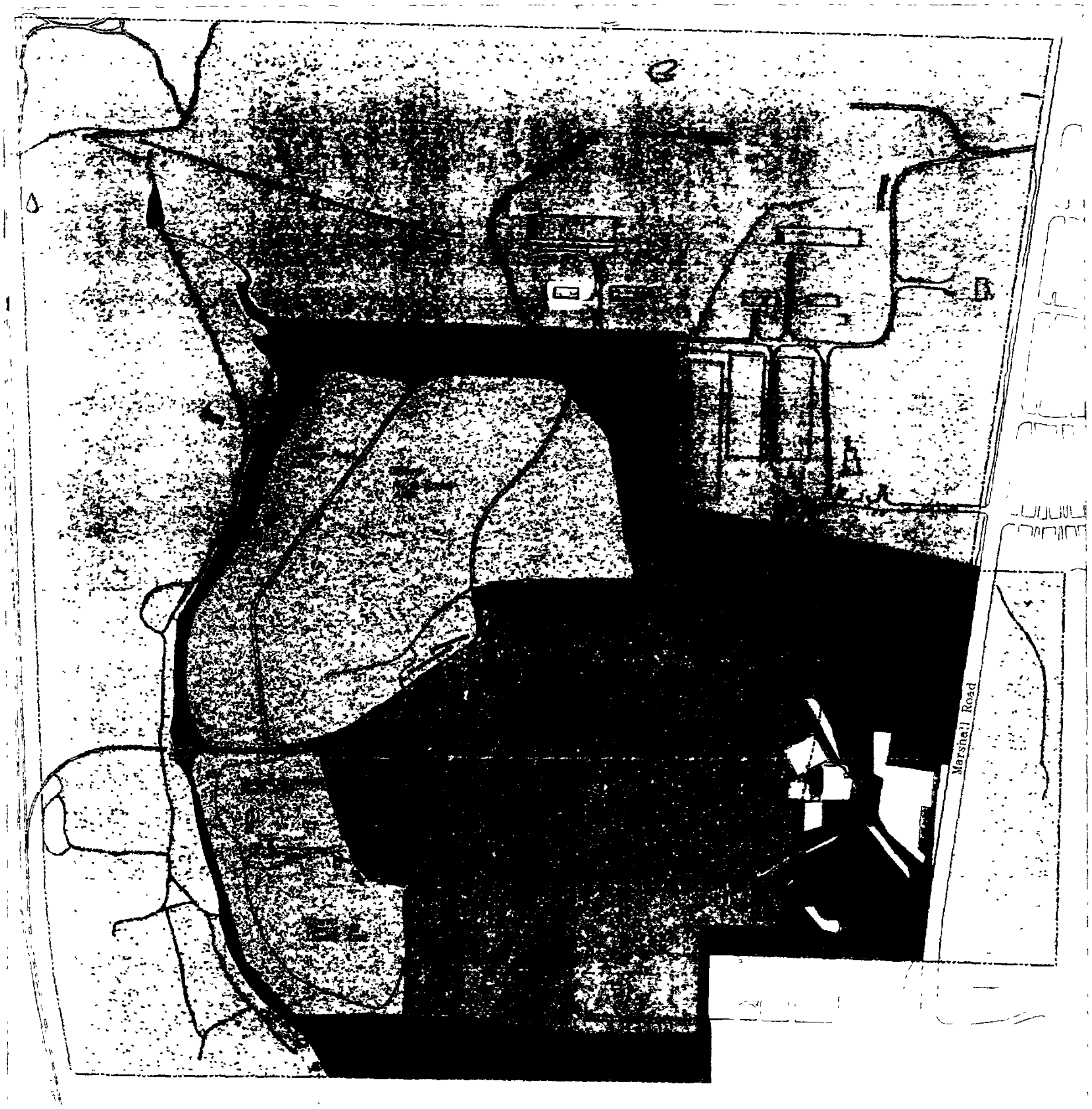

MAP 1

-UTURE LAND USE MAP
'/ERTAC SITE, JACKSONVILLE, ARKANSAS
2,3,7,8-TCDD IN SURFACE SOILS
(parts per billion)

2,3,7,8-TCDD concentration at the upper 95% confidence limit

Vertac site boundary and photogrammetric survey prepared by West and Associates, Inc.

Arkansas Coordinate System, North Zone (NAD '83)

LEGEND

Outside Area

Buffer Area

Previous Remediation Areas

Operations Area

Vertac Property Boundary

Proposed Site Fence

2,3,7,8-TCDD

and outer boundaries proposed fence

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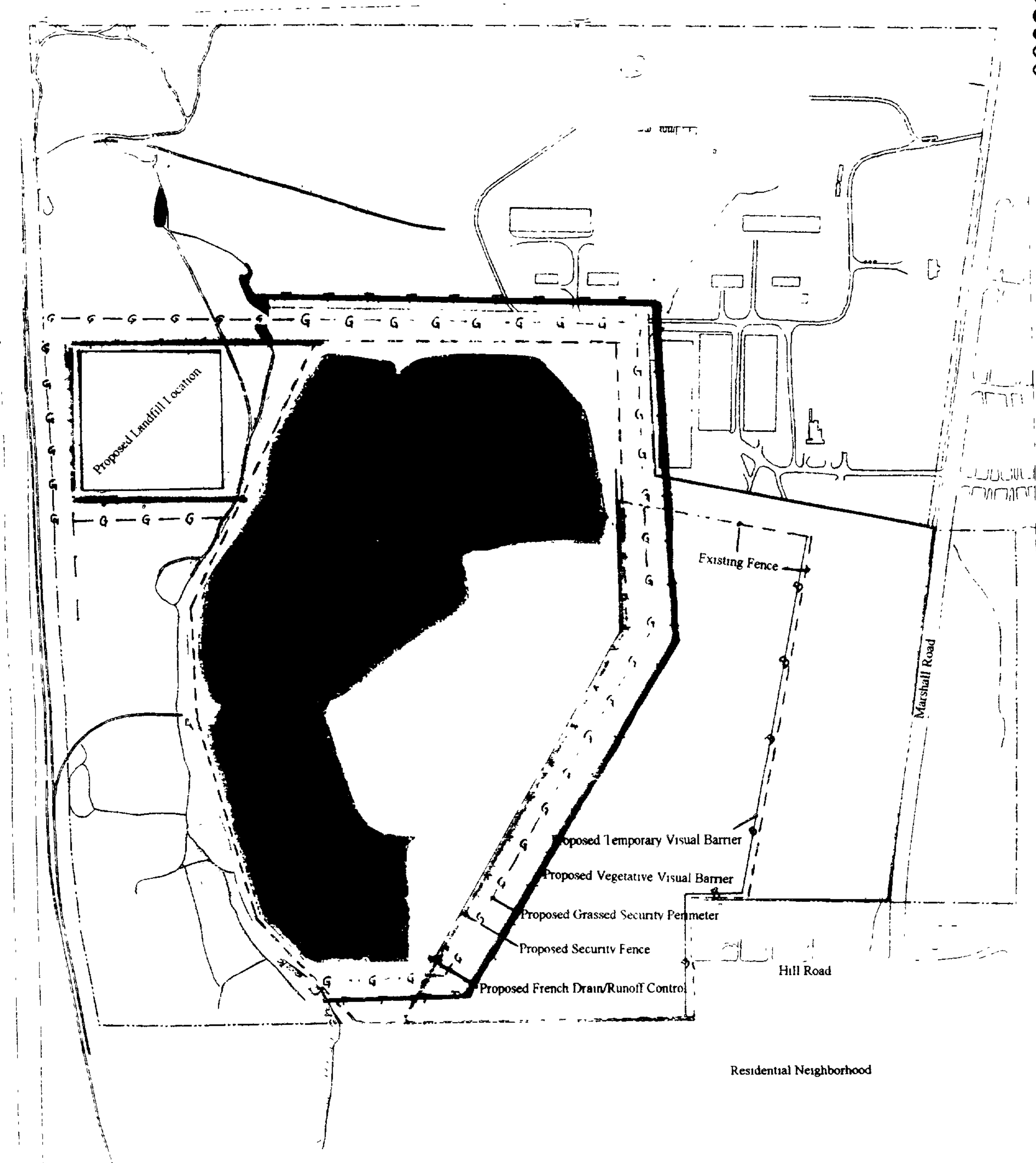
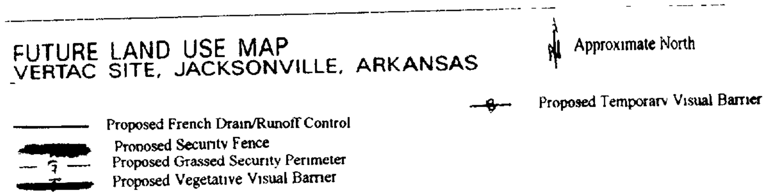


Proposed Landfill Location
Existing Fence
Marshall Road
Proposed Temporary Visual Barrier
Proposed Vegetative Visual Barrier
Proposed Grassed Security Perimeter
Proposed Security Fence
Proposed French Drain/Runoff Control
Hill Road
Residential Neighborhood

MAP 2



FUTURE LAND USE MAP
VERTAC SITE, JACKSONVILLE, ARKANSAS
Approximate North
Proposed Temporary Visual Barrier
Proposed French Drain/Runoff Control
Proposed Security Fence
Proposed Grassed Security Perimeter
Proposed Vegetative Visual Barrier

APPENDIX A

CHAMBER OF COMMERCE FACT SHEET

003211

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Vertac Superfund Site
Chamber Fact Sheet
June 6, 1995

Public Hearing

- The Environmental Protection Agency has scheduled a public hearing on Thursday, June 15 from 6:30-9:30 p.m. at the Jacksonville Community Center. At this meeting EPA representatives will be available with court reporters to take final public comments about soil remediation at the Vertac Site.

- This will be a very important meeting. We will have to live with what we do or don't do between now and June 24. This will be the last opportunity for Chamber leaders, community leaders, and citizens to influence the level of clean-up regarding soils. Only one more phase of the cleanup remains. Recommendations regarding cleanup of the ground water will be made late this year.

- We expect Hercules Power Company to have extensive comments prepared by their team of lawyers. They will likely promote the less expensive options. They may express opposition to the proposed industrial use of the property. ***They may well attempt to document a lack of concern by local citizens.***

- We also expect our local activists to be present.

- To balance the other perspectives, we need lots of comments by community and business leaders. We need to clearly state the major concerns of the business community.

- While we do want as many Chamber people present as possible, you do not have to attend the meeting to have your opinion registered. Letters will carry the same weight of influence as comments made at the public hearing. Send your letter (handwritten is fine) to:

  Mr. Donn Walters
  Community Involvement Coordinator
  U.S. EPA, Region 6
  1445 Ross Avenue (6H-MC)
  Dallas, Texas 75202-2733

Basic Issues of Concern

1) End Use of the Property

- The primary issue being addressed at this time is, "What will be the end use of this property?" While several options may be considered, we need to strongly promote the view that **the property should be returned to its original use as an industrial site.** If the Vertac Site were reclaimed, it would provide over 100 acres of contiguous land with full utilities and rail service in the heart of the existing industrial park.

- Jacksonville has a critical shortage of industrial land. The City cannot qualify for AIDC's ACE program (which certifies communities for industrial development) because we do not have any sites with over 40 acres available.

- The Commerce Corporation and Chamber are in the process of appointing a Site Selection Committee to find industrial land for Jacksonville's long-term needs. This committee will have to look well outside of current city limits for large industrial sites. The cost of purchasing the land and extending utilities will be very high.

- The land along Marshall road should be made available for commercial use. Commercial businesses along the Marshall Road portions of the Vertac site would go far in erasing the constant reminders of the Vertac controversy to the community. We oppose alternatives which would result in fences along Marshall Road with "No Trespassing" signs and warnings of the dangers nearby.

2) Time Required to Finish the Cleanup

- We need to put Vertac behind us as quickly as feasible. The controversy surrounding Vertac has clouded our city and sullied our reputation for over 13 years. We do not need extensive delays. We favor the most effective and quickest cleanup procedures.

- The Preferred Alternative being recommended by EPA could be completed in two years.

3) **Size and Location of any Landfills**

- The landfill that currently exists on the Vertac site has been informally dubbed "Mount Vertac." If additional landfills are used, every effort should be made to reduce the overall size and particularly the height of the landfill so that it will not be visible outside of the plant area.

- The location of any landfill should be toward the back of the property, away from residential and future commercial or industrial sites. Large, visible landfills could affect the future use of the property for a long, long time.

4) **Economic Damage Done by Vertac**

- Vertac has damaged prime industrial property for Jacksonville. Because of the contamination of the Vertac site, Jacksonville has lost the economic benefit and jobs which would have been provided by industries utilizing the site.

- Vertac has made industrial recruitment nearly impossible. The impact of Vertac looms over every industrial prospect which considers Jacksonville. Industrial sites which have no connection to Vertac require expensive environmental studies before they are considered.

- Vertac has hurt the reputation of Jacksonville. If positive publicity is worth advertising dollars, negative publicity costs an equal amount. There is no way to adequately measure the tremendous damage done to the reputation of the City of Jacksonville by thirteen years of negative publicity.

- Vertac has kept families from choosing to reside in Jacksonville. The Jacksonville economy has been further damaged by the decisions of families to reside someplace other than Jacksonville because of the Vertac controversy. Many families have mistakenly believed that the Jacksonville water supply was contaminated by Vertac wastes.

- The economic loss to the City of Jacksonville caused by the Vertac controversy cannot adequately be measured and will never be fully known. However, it is obvious to all that the financial impact has been great. The surrounding cities of Sherwood and Cabot have experienced tremendous economic progress while Jacksonville has experienced only modest growth. The responsible parties should be required to contribute to a major community development project to help alleviate the economic damages to the City.

EPA Preferred Alternative Summary

A number of alternatives have been examined by EPA. You may want to review the documents describing all the options. These documents are available at City Hall, the Public Library, and at the Chamber offices. Briefly, the EPA is recommending the following actions:

- Soils with **0-5** ppb (parts of dioxin per billion parts of soil) will receive **no action**
- Soils with **5-260** ppb will be **landfilled**
- Soils with **over 261** ppb will be **incinerated offsite.**
- Underground structures will be **cleaned and filled with grout**.

- Under this plan over 95% of all dioxin will be treated or immobilized. Only soils with less than 5 parts per billion will not be treated. This level is well within the range of safety for any future industrial employees who might work at the site.

- This plan will minimize the time required for treatment. The recommended actions could be completed in two years.

- This plan is cost-effective. Ninety-five percent of all dioxins would be treated at a cost of $25.3 million. An additional $140.9 million would be required to treat the remaining 5% of dioxins on the site.

Your comments are important. Please attend the meeting on June 15 <u>and</u> write a letter expressing your concerns in your own words. Now is the time to make a difference regarding the final outcome of the Vertac cleanup.

Jacksonville Chamber of Commerce

Memo

Your Action is Needed
Regarding the Vertac Proposals

The Environmental Protection Agency has scheduled

A PUBLIC HEARING

on Thursday, June 15
from 6:30-9:00 p.m.
at the Jacksonville Community Center.

This meeting will be our last opportunity to impact the EPA's final ruling about the clean-up of soil contamination. It is very important that your opinion be registered!

We need you to:

1) Read the attached analysis
2) Write a letter and
3) Attend the meeting.

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APPENDIX B

CHAMBER OF COMMERCE LETTER OF RESOLUTION

003218

June 22, 1995

Mr. Donn Walters
Community Involvement Coordinator
U.S. EPA, Region 6
1445 Ross Avenue (6H-MC)
Dallas, Texas 75202-2733

Dear Mr. Walters:

We wish to inform you of a resolution regarding current Vertac site proposals adopted at the Jacksonville Chamber of Commerce Board of Directors meeting held on June 21, 1995. The resolution recommends:

1) that the on-site storage containment area be located in the northwest extreme of the Vertac property,

2) that the area along Marshall Road, the area behind the Hill Street houses, and the northern 100 plus acres be cleaned so that all grids with more than 1 part per billion of dioxin will be excavated and cleaned,

3) that the heart of the plant site will be cleaned so that all grids with more than 5 parts per billion will be excavated and cleaned,

4) that the on-site landfill should be no more than 25 feet in height.

The motion was passed unanimously.

Sincerely,

Mickey Anders
Executive Director

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APPENDIX C

LIONS CLUB POSITION LETTER

LIONS CLUB OF JACKSONVILLE
P.O. BOX 112
JACKSONVILLE, AR 72076

We Serve
SINCE 1950

003220

February 8, 1995

Ms. Jane Saginaw, Regional Administrator
USEPA
1445 Ross Avenue
Dallas, Tx. 75202-2733

Dear Ms. Saginaw:

On behalf of the Jacksonville Lions Club, I would like to express our concerns regarding the final disposition of the Vertac Superfund site.

Primarily, we would encourage the completion of the disposition of the 2, 4, 5-T waste in Kansas. Once that is completed, we would encourage the restoration of the site to it's original condition as it was prior to development by Hercules Chemical Company and it's predecessors.

That would include:

(A) Removal of all structures.
(B) Removal of all buried waste.
(C) Removal or decontamination of all contaminated soils.
(D) Restoration of ground water to background standards.

There have been rumors of a "hill" remaining and of partial restoration of the site. We do not believe that partial restoration would be in the best interest of the community or it's future residents.

We would like to see in the future a site that could be used for any activity including development and use as parks, residences, commercial establishments or industrial facilities.

Thank you for your time and serious consideration of our concerns.

Sincerely,

Marion Lamb

Marion Lamb
President
Jacksonville Lions Club

APPENDIX D

HERCULES ANNUAL REPORT--FORM 10-K
DECEMBER 31, 1994

003222

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 1994   Commission file number 1-496

HERCULES INCORPORATED

A DELAWARE CORPORATION
I.R.S. EMPLOYER IDENTIFICATION NO. 51-0023450
HERCULES PLAZA
1313 NORTH MARKET STREET
WILMINGTON, DELAWARE 19894-0001
TELEPHONE: 302-594-5000

Securities registered pursuant to Section 12(b) of the Act
(Each class is registered on the New York Stock Exchange, Inc.)

Title of each class

Common Stock ($\$^{25}/_{48}$ Stated Value)
$6^{1}/_{2}$ % Convertible Subordinated Debentures due June 30, 1999
8% Convertible Subordinated Debentures due August 15, 2010

Registrant 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 has been subject to such filing requirements for the past 90 days.

Disclosure of delinquent filers pursuant to item 405 of Regulation S-K is contained in registrant's definitive Proxy Statement dated March 23, 1995 and is incorporated by reference in Part III Item 10 herein.

As of February 27, 1995, registrant had outstanding 116,210,936 shares of common stock, $\$^{25}/_{48}$ stated value ("Common Stock"), which is registrant's only class of common stock.

The aggregate market value of registrant's Common Stock held by non-affiliates based on the closing price on February 27, 1995 was approximately $5.1 billion.

DOCUMENTS INCORPORATED BY REFERENCE
(Specific pages incorporated are identified under the applicable item herein.)

Portions of the registrant's definitive Proxy Statement dated March 23, 1995 (the "Proxy Statement") are incorporated by reference in Part III of this Report. Other documents incorporated by reference in this report are listed in the Exhibit Index.

PART I

003223

Item 1. BUSINESS:

Hercules Incorporated ("Hercules" or the "Company") is a diversified, worldwide producer of chemicals and related products. The Company was incorporated in Delaware in 1912. In March 1995, Hercules completed the sale of a substantial portion of its Aerospace segment (which produced solid fuel systems for aerospace applications) to Alliant Techsystems Incorporated. Hercules now holds a 30% ownership interest in Alliant and two of the eight nonemployee seats on the Alliant Board of Directors. Hercules' 30% interest in Alliant will be accounted for on the equity method, and is not expected to be material to Hercules' consolidated financial statements. Accordingly, information related to the Aerospace segment has been omitted in this Form 10-K, except where relevant.

Industry Segments

Hercules operates, both domestically and throughout the world, in two industry segments: Chemical Specialties and Food & Functional Products. The financial information regarding Hercules' industry segments, which includes net sales and profit from operations for each of the three years in the period ended December 31, 1994 and identifiable assets as of December 31, 1994, 1993 and 1992, is provided in Note 24 to the Consolidated Financial Statements.

Information regarding principal products produced and sold by each industry segment and principal markets served by each segment is presented in the columns so designated in the segment table presented below. These products are sold directly to customers from plants and warehouses, as well as being sold in some cases (particularly in markets outside the United States) to and through distributors.

BUSINESS UNITS	PRINCIPAL PRODUCTS	PRIMARY MARKETS
Chemical Specialties		
Paper Technology	Reactive sizes, rosin size, dispersed rosin sizes, wet-strength resins, wax emulsions, defoamers, and retention aids.	Writing and printing paper, tissues and toweling, liquid packaging, kraft paper, corrugated and linerboard packaging, and kraft specialties.
Fibers	Polypropylene nonwoven fiber and polypropylene textile yarns.	Disposable hygiene products, home furnishings, and automotive.
Resins	Rosin resins, hydrocarbon resins, peroxides.	Adhesives for tapes, labels, carpet backing, packaging, and sealants; graphic arts, particularly inks and toners; rubber, including plastic compounds for wire and cable insulation; the construction industry; and household products.
Food & Functional Products		
Aqualon	Carboxymethylcellulose, hydroxypropylcellulose, ethylcellulose, nitrocellulose, hydroxyethylcellulose, methylcellulose, and pentaerythritol.	Paints and lacquers, adhesives, paper, personal care products and cosmetics, pharmaceuticals, food and beverages, inks, oil well drilling, rubber, and smokeless powder.
Food Gums	Food gums and aroma chemicals.	Processed meats, jellies and jams, baked goods, convenience foods, and beverages.
Electronics & Printing Products	Photopolymer resins.	Printing and publishing.

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In general, Hercules does not produce against a backlog of firm orders; production is geared primarily to the level of incoming orders and the projections of future demand. Significant inventories of finished products, work in process and raw materials are maintained to meet delivery requirements of customers and Hercules' production schedules.

The businesses of each of the segments are not seasonal to any significant extent.

Raw Materials and Energy

Raw materials and supplies are purchased from a variety of industry sources, including agricultural, forestry, mining, petroleum and chemical industries.

The important raw materials for the Chemical Specialties segment are d-limonene, turpentine, crude tall oil, rosin, pine wood stumps, aromatic and aliphatic resin formers, ketones, cumene, catalysts, alcohols, pure monomers, toluene, clay, phenol, adipic acid, epichlorohydrin, fumaric acid, process oils, stearic acid, diethylenetriamine, phosphorus trichloride, wax, casein, starch, polypropylene resin, pigments, and antioxidants.

Raw materials important to the Food & Functional Products segment are acetaldehyde, fatty acids, chemical cotton, woodpulp, ethyl chloride, alcohols, chlorine, ethylene oxide, propylene oxide, monochloroacetic acid, methyl chloride, caustic, inorganic acids, fruit and floral extracts, guar splits, seaweed, terpenes, and citrus peel.

Major requirements for key raw materials and fuels are typically purchased pursuant to multi-year contracts. Hercules is not dependent on any one supplier for a material amount of its raw material or fuel requirements, but certain important raw materials are obtained from sole-source or a few major suppliers.

While temporary shortages of raw materials and fuels may occur occasionally, these items are currently readily available. However, their continuing availability and price are subject to domestic and world market and political conditions as well as to the direct or indirect effect of United States Government regulations. The impact of any future raw material and energy shortages on Hercules' business as a whole or in specific world areas cannot be accurately predicted. Operations and products may, at times, be adversely affected by legislation, shortages or international or domestic events.

Competition

Hercules encounters substantial competition in each of its two industry segments. This competition, from other manufacturers of the same products and from manufacturers of different products designed for the same uses, is expected to continue in both the United States and markets outside the United States. Some of Hercules' competitors, such as companies engaged in petroleum operations, have more direct access to raw materials, and some have greater financial resources than Hercules.

The number of Hercules' principal competitors varies from product to product. It is not practicable to estimate the number of all competitors because of the large variety of Hercules' products, the markets served and the world-wide business interests of Hercules.

Patents and Trademarks

Patents covering a variety of products and processes have been issued to Hercules and its assignees. In addition, Hercules is licensed under certain other patents covering the products and processes. Taken as a whole, the rights of Hercules under these patents and licenses, which expire from time to time, are considered by Hercules to constitute a valuable asset. However, Hercules does not consider any single patent or license, or any group thereof related to a specific product or process, to be of material importance to its business as a whole.

Hercules also has registered trademarks for a number of its products. Some of the more significant trademarks include: AQUAPEL® sizing agent, HERCON® sizing emulsions, KYMENE® resin, MAGNAMITE® graphite fiber, MERIGRAPH® photopolymer resin, NANOCHEM® synthetic resin, REGALREZ® resin, SYCAR® resin, HERCULON® olefin fiber, SLENDID® fat replacer, NATROSOL® hydroxyethylcellulose, CULMINAL® methylcellulose, KLUCEL® hydroxypropylcellulose, NATROSOL

FPS® water-soluble polymer suspension, AQUA MER® dry film photoresists, and PRECIS ™ sizing agent.

Research and Development

Research and development, which is directed toward the discovery and development of new products and processes, the improvement and refinement of existing products and processes and development of new applications for existing products, is primarily company-sponsored. Hercules spent $64,780,000 on research activities during 1994, as compared to $76,121,000 in 1993 and $70,208,000 in 1992. During the three-year period, research and development expenditures for the Chemical Specialties and Food & Functional Products segments were between 1.8% and 2.6% of sales.

Environmental Matters

Hercules believes that it is in compliance in all material respects with applicable federal, state and local environmental laws and regulations. Expenditures relating to environmental cleanup costs have not and are not expected to materially affect capital expenditures or competitive position. Additional information regarding environmental matters is provided in Notes 15 and 23(c) to the Consolidated Financial Statements.

Employees

As of December 31, 1994, Hercules had 11,989 employees worldwide (of which 3,741 were in the aerospace business). Approximately 8,895 were located in the United States, and of these employees about 30% were represented by various local or national unions.

International Operations

Information on net sales, profit from operations, identifiable assets by geographic areas, and the amount of export sales, for each of the last three years appear in Note 24 to the Consolidated Financial Statements. Hercules' operations outside the United States are subject to the usual risks and limitations related to investments in foreign countries, such as fluctuations in currency values, exchange control regulations, wage and price controls, employment regulations, effects of foreign investment laws, governmental instability (including expropriation or confiscation of assets) and other potentially detrimental domestic and foreign governmental policies affecting United States companies doing business abroad.

Item 2. PROPERTIES:

The Company's corporate headquarters and major research center are located in Wilmington, Delaware. Information as to Hercules' principal manufacturing facilities and the industry segment served by each is presented below.

All principal properties are owned by Hercules except for the Company's corporate headquarters, which is leased to the Company.

The following are Hercules' major worldwide plants:
Chemical Specialties - Aberdeen, Scotland; Beringen, Belgium; Brunswick, Georgia; Burlington, Ontario, Canada; Busnago, Italy; Chicopee, Massachusetts; Franklin, Virginia; Gibbstown, New Jersey; Hattiesburg, Mississippi; Iberville, Quebec, Canada; Jefferson, Pennsylvania; Kalamazoo, Michigan; Kim Cheon, Korea; Lilla Edet, Sweden; Mexico City, Mexico; Middelburg, the Netherlands; Milwaukee, Wisconsin; Nant'ou, Taiwan; Oxford, Georgia; Pandaan, Indonesia; Paulinia, Brazil; Pendlebury, England; Portland, Oregon; St.-Jean, Quebec, Canada; Sandarne, Sweden; Savannah, Georgia; Sobernheim, Germany; Tampere, Finland; Tarragona, Spain; Traun, Austria; Uruapan, Mexico; Voreppe, France; Zwijndrecht, the Netherlands.
Food & Functional Products - Alizay, France; Barneveld, the Netherlands; Doel, Belgium; Grössenbrode, Germany; Hopewell, Virginia; Kenedy, Texas; Lille Skensved, Denmark; Louisiana, Missouri; Middletown, Delaware; Parlin, New Jersey; Sao Paulo, Brazil; Tarragona, Spain; Zwijndrecht, the Netherlands.

Hercules plants and facilities, which are continually added to and modernized, are generally considered to be in good condition and adequate for business operations. From time to time Hercules discontinues operations at, or disposes of, facilities that have for one reason or another become unsuitable.

Item 3. LEGAL PROCEEDINGS:

For discussion of legal proceedings see Note 23(d) to the Hercules Financial Statements.

In September 1993, Hercules and the U.S. Environmental Protection Agency (EPA) Region 1 reached an agreement in principle which, when effectuated, will settle the EPA's claims that Hercules violated its wastewater permit with the City of Chicopee and the federal pretreatment standard for industrial users of publicly owned treatment works at its Chicopee, MA facility. Hercules has signed a Consent Decree (the "Decree") based on this agreement requiring supplemental environmental projects (at a cost of approximately $375,000), compliance with permit limits in the future, and $250,000 in fines. Hercules expects the Decree to be finalized in the first quarter of 1995.

On February 17, 1994, Hercules received an Administrative Order and Notice of Civil Administrative Penalty Assessment (the "Order") for alleged violations of Hercules' water discharge (NPDES) permit at its Kenvil, New Jersey facility. The fine identified in the Order is $141,750. Although Hercules has requested an administrative hearing on this matter, negotiations with the State of New Jersey Department of Environmental Protection ("NJDEP") are ongoing. Hercules expects that the ultimate penalty amount to be paid to NJDEP under the terms of the Order will exceed $100,000.

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS:

No matter was submitted to a vote of security holders during the fourth quarter of 1994, through the solicitations of proxies or otherwise.

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EXECUTIVE OFFICERS OF THE REGISTRANT:

The name, age and current position of each executive officer (as defined by Securities and Exchange Commission rules) of the Company as of February 27, 1995, are listed below. Each of the officers, except for R. Keith Elliott, Herbert K. Pattberg, and Vikram Jog, have during the past five years, served in one or more executive capacities with the Company and/or its affiliates. Mr. Elliott served with Engelhard Corporation as Vice President of Finance, Chief Financial Officer and Director from 1985 to 1988 and as Senior Vice President, Chief Financial Officer and Director from 1988 to 1990. Since joining Hercules in 1991, Mr. Elliott has held the positions of Sr. Vice President and Chief Financial Officer and most recently Executive Vice President and Chief Financial Officer. Herbert Pattberg was employed by Henkel KgaA for 22 years, most recently as group vice president, Oleochemicals. Mr. Pattberg joined Hercules in 1993 in his present position of president, S.A. Hercules Europe N.V., Brussels, Belgium. Vikram Jog has been with Hercules since 1992, as director, Corporate Reporting, director, Corporate Analysis and now his current position as Controller. Prior to joining Hercules, Mr. Jog was employed at Price Waterhouse LLP and Coopers & Lybrand L.L.P. There are no family relationships among executive officers.

Name	Age	Current Position
Thomas L. Gossage	60	Chairman, President and Chief Executive Officer
R. Keith Elliott	53	Executive Vice President and Chief Financial Officer
Vincent J. Corbo	51	Senior Vice President, Technology
Robert J. A. Fraser	45	Group Vice President and President, Hercules Food & Functional Products Company
C. Doyle Miller	54	Group Vice President and President, Hercules Chemical Specialties Company
Michael B. Keehan	59	Vice President and General Counsel
George MacKenzie	45	Vice President, Finance
Vikram Jog	38	Controller
Jan M. King	45	Treasurer
Israel J. Floyd	48	Secretary and Assistant General Counsel
James D. Beach	60	Vice President, Operations Support
Edward V. Carrington	52	Vice President, Human Resources
James R. Rapp	56	Vice President, Investor Relations
Herbert K. Pattberg	51	President, Hercules Europe

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PART II

Item 5. MARKET FOR THE REGISTRANT'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS:

Hercules Incorporated common stock is listed on the New York Stock Exchange (ticker symbol HPC), The Stock Exchange, London, and the Swiss Stock Exchange. It is also traded on the Philadelphia, Midwest, and Pacific Stock Exchanges.

On December 8, 1994, the company announced a three-for-one split of its common stock effected in the form of a 200% tax-free stock dividend distributed on January 30, 1995, to shareholders of record as of January 9, 1995. The information presented below reflects the three-for-one stock split.

The approximate number of holders of record of common stock ($25/48 stated value) as of January 31, 1995, was 19,665.

Period	High	Low
1993		
First Quarter	25½	21⅛
Second Quarter	26⅛	23¼
Third Quarter	30½	25½
Fourth Quarter	38¼	29⅝
1994		
First Quarter	40½	35¼
Second Quarter	38½	32⅛
Third Quarter	36⅞	32⅞
Fourth Quarter	40	33¼

On December 31, 1994, the closing price of the common stock was $38½.

The company has paid quarterly cash dividends as follows:

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
1993	$0.19	$0.19	$0.19	$0.19
1994	$0.19	$0.19	$0.19	$0.19

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Item 6. SELECTED FINANCIAL DATA:

A summary of selected financial data for Hercules for the years and year ends specified is set forth in the table below.

(Dollars and shares in millions, except per share)

For the Year	1994	1993	1992	1991	1990
Net Sales	$ 2,821	$ 2,773	$ 2,865	$ 2,929	$ 3,200
Profit from Operations	419	308	244	187	190
Income Before Extraordinary Item and Effect of Changes in Accounting Principles	274	208	168	95	96
Net Income (Loss)	274	(33)	168	95	96
Dividends	89	95	101	105	105
Per Share of Common Stock					
Earnings Before Extraordinary Item and Effect of Changes in Accounting Principles	2.29	1.62	1.23	.67	.68
Earnings (Loss)	2.29	(.26)	1.23	.67	.68
Dividends	.75	.75	.75	.75	.75
Total Assets	2,941	3,162	3,228	3,467	3,700
Long-Term Debt	307	317	431	483	601

Per-share amounts for all periods presented have been restated to give retroactive recognition to the three-for-one stock split distributed January 30, 1995.

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS:

This discussion should be read in connection with the information contained in the Consolidated Financial Statements and Notes thereto.

In March 1995, Hercules completed the sale of a substantial portion of its Aerospace segment to Alliant Techsystems Incorporated (Alliant), at a gain, for approximately $300 million in cash and 3.86 million shares of newly issued Alliant common stock. Included in the transaction were Aerospace units with combined revenues and operating profits of $657 million and $110 million, respectively in 1994, $688 million and $110 million, respectively in 1993, and $745 million and $62 million, respectively in 1992. Hercules now holds a 30% ownership interest in Alliant and two of the eight nonemployee seats on the Alliant Board of Directors. After funding the needs of the business, cash proceeds from the sale will be used primarily to repurchase Hercules shares. This transaction has no effect on the 1994 finanical statements; Hercules' 30% interest in Alliant will be accounted for on the equity method. Additionally during 1994, the company completed previously announced divestitures of its Packaging Films and Liquid Molding Resins business units in April 1994 and October 1994, respectively, for $173 million in cash, subject to post-closing adjustments. See Note 22 to the financial statements.

On December 8, 1994, the company announced a three-for-one split of its common stock effected in the form of a 200% tax-free stock dividend distributed on January 30, 1995, to shareholders of record as of January 9, 1995.

RESULTS OF OPERATIONS

All comparisons within the following discussion are to the previous year, unless otherwise stated.

Consolidated net sales: Chemical businesses (Chemical Specialties and Food & Functional Products segments) sales increased 10% in 1994 on increased volumes and prices, reflecting improvement in western economies. However, the divestiture of the Packaging Films unit in April 1994 and reduced Aerospace revenues resulted in consolidated net sales remaining relatively flat. In 1993, sales declined

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approximately 3% mostly in the Aerospace and Chemical Specialties segments, reflecting continued cutbacks in defense budgets, weaker European currencies, and recessionary conditions in Europe.

Profit from operations increased 36%, or $111 million, in 1994. Gross profit improved approximately $55 million, or 7%, and gross profit margins increased to 32% from 30% a year ago primarily on the strength of the chemical businesses. This gross profit improvement, resulting from the aforementioned volume and price increases, coupled with manufacturing cost improvements, was partially offset by the sale of Packaging Films and lower Aerospace margins. Selling, general and administrative (SG&A) expenses remained relatively flat while research and development (R&D) expenses declined. Cost savings from previous restructurings and the continuation of cost-management programs were offset by increased expense for employee incentive compensation programs (primarily related to performance above target levels) and increased manufacturing support and marketing expenses. The lower R&D expenses relate primarily to lower spending in the Aerospace segment and other divested businesses. Other operating expenses (Note 15 to the financial statements) declined $48 million. Lower 1994 environmental expenses and severance costs, coupled with 1993 restructuring charges related to the disposition of Liquid Molding Resins and a company-wide reduction in personnel, account for the favorable change. Environmental expenses declined from $35 million to $20 million as no significant new sites requiring recognition of environmental expenditures were identified. Environmental expenses are discussed further below and in Note 23 to the financial statements.

In 1993, profit from operations increased 26%, or $63 million. Contract changes and settlements related to the Titan IV solid rocket motor upgrade (SRMU) program in the Aerospace segment aggregated approximately $60 million. Increased gross margins were offset by higher R&D expenses. SG&A expenses were unchanged. Cost savings from previous restructurings and divestitures, and the continuation of cost-management programs, were offset by increased expenses for employee incentive compensation programs. Other operating expenses were also unchanged. Lower environmental expenses were offset by higher restructuring and other charges. Environmental costs were higher in 1992 compared with 1993 pursuant to a court decision giving wider latitude to the U.S. Environmental Protection Agency in selecting the remediation methods for cleanup at the Jacksonville, Arkansas, site (see Note 23 to the financial statements).

Chemical Specialties: Net sales increased 11%, or $105 million, in 1994. Higher pricing for resins in adhesives, chewing gum, construction, and graphic arts markets along with overall resins volume increases accounted for the sales improvement. In addition, strong polypropylene nonwoven fiber volume in the diaper coverstock market and increased volumes of rosin size and emulsion products due to higher utilization rates in the paper industry added to the sales increase. Profit from operations increased 32%, or $48 million, in 1994, primarily due to the increased revenues. Additionally, reduced manufacturing cost per unit derived from higher production volume added to the operating profit improvement.

In 1993, net sales declined by 5%, or $47 million. Weaker European currencies were a significant factor in the sales decline. While overall volumes were relatively stable, recessionary conditions in Europe resulted in pricing pressures. Profit from operations declined by 8%, or $13 million, in 1993, primarily due to the decline in revenues. Manufacturing cost improvements, lower raw material costs, and cost savings from the rationalization of worldwide administration and support functions were largely offset by asset writeoffs, higher incentive compensation, and R&D expenses.

In 1995, strong market demand is expected to continue in the Americas and Europe. Manufacturing cost improvements will continue to be important, especially as raw material prices continue to increase.

Food & Functional Products: Net sales increased 9%, or $78 million, in 1994. Water-soluble polymer sales increased reflecting volume and price improvements due to strong demand in the paint, construction, and regulated markets. This improvement was partially offset by lower volumes in the oil and gas markets along with declines in coatings due to continued pricing pressures from foreign manufacturers on furniture coating applications. Additionally, volume improvements in food gums and printing product applications added to the revenue improvement. Profit from operations increased 31%, or $35 million, in 1994, primarily due to the aforementioned price and volume improvements. Additionally,

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lower manufacturing costs and higher yield from process improvements and better utilization of capacity added to the operating profit improvement.

In 1993, net sales were relatively flat. Although overall volumes increased, particularly in food gums, revenues were adversely affected by weaker European currencies, partially offset by higher water-soluble polymer prices. Profit from operations increased by 4%, or $4 million, principally due to higher yield from process improvements and better utilization of capacity.

In 1995, demand in major markets is expected to remain strong. Successful implementation of incremental capacity projects and manufacturing cost improvements will continue to be important.

Aerospace: Net sales declined 1%, or $11 million, in 1994. The sales decrease relates primarily to decline in production volumes, lower flight incentives, overall defense budget cuts, reduced number of new programs, program cancellations, and funding delays. Sales (and operating profit) were favorably affected by $48 millon related to a re-evaluation of the Titan IV SRMU contract deferral established in 1993. This resulted from diminished program risk coincident with progress in 1994 toward program completion and a second favorable contract modification in 1994, the final portion of which was negotiated in the fourth quarter. In 1993, Titan IV SRMU contract modifications and settlements had a $28 million favorable effect on sales. The basis for the deferral and subsequent adjustment thereof is based on management's evaluation and quantification of risks inherent in the program, prior difficulties with this contract, and the effects of contract modifications and restructurings. Additionally, 1994 sales (and operating profit) benefited $8 million from a one-time sale of a technology license. Profit from operations declined $7 million, or 7%, as a result of the following: lower profit related to the Titan IV SRMU contract deferrals and settlements ($48 million in 1994 compared with $60 million in 1993); manufacturing problems in the Ordnance business unit resulting in a $13 million decline in operating profits; lower flight incentives of $15 million; and lower margins in composite materials as a result of defense reductions. Partially offsetting these unfavorable effects were improved Titan operating performance, realization of past cost reduction actions, the one-time sale of technology, and improved performance in the tactical missiles business unit.

Net sales declined by 5%, or $43 million, in 1993 principally because of overall defense budget cuts, funding delays, and program terminations and cancellations. Additionally, the 1992 results were favorably affected by ordnance replenishment sales resulting from the 1991 Gulf War. Despite the reduction in sales, profit from operations increased by 102%, or $52 million, as a result of the following: Titan IV SRMU contract modifications and settlements of $60 million ($28 million favorable effect on net sales); incentive and award fees (a normal part of successful government contracting) of $21 million; continued cost management; the phaseout of several loss programs; and favorable resolution of contractual issues. Offsetting these favorable effects were increased charges approximating $16 million, principally related to incentive compensation plans, severance costs, and the 1992 favorable settlement of a cost-allowability issue on Government contracts.

Both declines in new program opportunities and cancellations or stretch-outs of existing programs are possible in the continued budget-reduction environment of the Department of Defense. In addition, accelerating industry-wide excess capacity is likely to increase price competition. Although aggressive cost-reduction efforts will continue to be a focus, the occurrence of these events may adversely affect Aerospace segment results in the future.

Corporate and other: Net sales declined $124 million in 1994 primarily due to the divestiture of the Packaging Films business in April 1994. Operating losses declined $35 million principally reflecting restructuring charges taken in 1993 coupled with lower environmental expenses.

In 1993, net sales were relatively flat. Operating losses declined by $20 million, reflecting lower losses in Liquid Molding Resins (before restructuring charges) and lower environmental expenses. The 1993 restructuring charges for planned asset dispositions did not vary significantly from 1992 charges related to rationalization of worldwide administration and support functions.

Equity in income of affiliated companies increased by $2 million. The improvement reflects improved earnings in Tastemaker, the 50%-owned flavors joint venture, partially offset by the sale of Hercules' interest in several affiliates in 1993. In 1993, income increased $8 million reflecting improved Tastemaker earnings.

Interest and debt expense decreased by 22% and 12% in 1994 and 1993, respectively, principally because of reduced levels of average debt and increased capitalized interest related to higher capital spending.

Other income (expense) net, (see Note 17) showed an unfavorable change of $24 million in 1994. The decline primarily reflects 1993 favorable litigation settlements of $29 million. In 1993, other income (expense) net, decreased by $30 million. The decline principally reflects lower net gains on dispositions and lower interest income offset by favorable litigation settlements, lower foreign currency losses, and 1992 shutdown costs.

The provision for income taxes reflects effective tax rates of 33% in 1994 and 1993, and 37% in 1992. Both the 1994 and the 1993 rates have been favorably affected by research and experimentation tax credits of $4 million and $10 million, respectively. The 1993 rate was offset by a relatively high tax rate on the sale of Hercules' investment in a foreign affiliate. Without these unusual items, effective tax rates would have been 35% in both 1994 and 1993. See Note 18 to the financial statements for further information.

FINANCIAL CONDITION

Liquidity and financial resources: Net cash flow from operations was $298 million, $659 million, and $305 million in 1994, 1993, and 1992, respectively. The substantial increase in 1993 and subsequent decrease in 1994 were due principally to Titan IV SRMU recoveries in 1993 of approximately $262 million. Additionally, cash flow from operations in 1994 reflected higher tax payments associated with the Titan settlement and the sale of the Packaging Films business, while 1993 reflected cash proceeds from favorable litigation settlements. Also in 1994 working capital requirements were higher. Overall cash flow in 1994 was favorably affected by the proceeds from asset disposals of $202 million, primarily related to the sale of the Packaging Films business.

In the three-year period ended December 31, 1994, the company satisfied its cash requirements for capital expenditures, other investing activities, and dividends entirely from operating cash flows.

In addition to internally generated cash, various credit sources are available to the company. These include short-term lines of credit, of which $66 million was available at December 31, 1994, and revolving credit agreements with several banks providing $380 million ($280 million of which was available at December 31, 1994). In addition, the company has a shelf registration in the amount of $50 million available, subject to market conditions.

Working capital has increased in 1994 primarily reflecting the recognition of previously deferred revenue associated with the Titan IV SRMU of $48 million.

Working capital decreased in 1993 largely reflecting recoveries of accounts receivable, resulting from the restructuring of the Titan IV SRMU contract. In addition, water-soluble polymer inventories were managed downward.

Capital expenditures increased in 1994 to $164 million from $150 million in both 1993 and 1992. The increase primarily reflects spending on a new methylcellulose facility in Doel, Belgium, which was completed in late 1994.

Commitments and Capital Structure: Total capitalization (stockholders' equity plus total debt) of $1.8 billion at December 31, 1994, remained unchanged from December 31, 1993. Stockholders' equity declined $73 million while total debt increased $15 million. As a result, total debt as a percentage of capitalization increased to 28% from 26%.

Concurrent with the three-for-one split of common stock, the Board also increased the quarterly dividend 12.5% to $.21 per share on a post-split basis. Also, at December 31, 1994, 12,774,600 shares of common stock on a post-split basis remained authorized for repurchase. 003233

Fluctuations in interest and foreign currency exchange rates affect the company's financial position and results of operations. The company uses several strategies to actively hedge foreign currency exposure and minimize the effect of such fluctuations in reported earnings. (See "Foreign Currency Translation" and "Financial Instruments and Hedging" in the Summary of Significant Accounting Policies and Notes 17 and 20 to the financial statements.) There are presently no significant restrictions on the remittance of funds generated by the company's operations outside the United States.

Hercules has been identified as a potentially responsible party (PRP) by Federal and State authorities for environmental cleanup at numerous sites. The estimated range of the reasonably possible costs of remediation is between $64 million and $244 million. The company does not anticipate that its financial condition will be materially affected by environmental remediation costs in excess of amounts accrued, although quarterly or annual operating results could be materially affected. Additional details regarding environmental matters are provided in Note 23 to the financial statements.

Environmental remediation expenses for nonoperating and operating sites have been funded from internal sources of cash. Such expenses are not expected to have a significant effect on the company's ongoing liquidity. Environmental cleanup costs, including capital expenditures for ongoing operations, are a normal, recurring part of operations and are not significant in relation to total operating costs or cash flows.

A quarterly dividend has been paid without interruption since 1913, the company's first year of operation. The quarterly dividend of $.56 per share, during 1994 (pre-split basis), represents a total payout for the year of $89 million.

During 1994, about 43% of capital expenditures pertained to production-capacity increases, compared with 35% in 1993 and 30% in 1992. Most of the remainder relates to cost-savings projects, regulatory requirements, and research facilities. Capital expenditures are expected to approximate $146 million during 1995. This amount includes funds for continuation and/or completion of ongoing projects as well as resins upgrade and modernization at Jefferson, Pennsylvania, and a new polypropylene fiber plant in Mexico.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA:

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND REQUIRED SUPPLEMENTARY DATA HERCULES INCORPORATED

CONSOLIDATED FINANCIAL STATEMENTS — Page

SUPPLEMENTARY DATA

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REPORT OF INDEPENDENT ACCOUNTANTS

To the Shareholders and the Board of Directors of
Hercules Incorporated
Wilmington, Delaware

We have audited the consolidated financial statements of Hercules Incorporated and subsidiary companies listed in the index on page 12 of this Form 10-K. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Hercules Incorporated and subsidiary companies as of December 31, 1994 and 1993, and the consolidated results of their operations and their cash flow for each of the three years in the period ended December 31, 1994 in conformity with generally accepted accounting principles.

As discussed in Notes 14 and 18 to the financial statements, in 1993, the company changed its methods of accounting for postemployment benefits, postretirement benefits other than pensions, and income taxes.

Coopers & Lybrand L.L.P.
2400 Eleven Penn Center
Philadelphia, Pennsylvania 19103
January 30, 1995

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Hercules Incorporated
Consolidated Statement of Operations

(Dollars in thousands, except per share)

	Year Ended December 31		
	1994	1993	1992
Net Sales	$2,821,015	$2,773,404	$2,864,859
Cost of sales	1,924,342	1,931,015	2,092,210
Selling, general and administrative expenses	373,941	371,725	371,472
Research and development	64,780	76,121	70,208
Other operating expenses, net (Note 15)	39,104	86,912	86,542
Profit from operations	418,848	307,631	244,427
Equity in income of affiliated companies	25,605	24,108	15,984
Interest and debt expense (Note 16)	28,137	36,159	41,196
Other income (expense), net (Note 17)	(8,028)	15,606	45,607
Income before income taxes and effect of changes in accounting principles	408,288	311,186	264,822
Provision for income taxes (Note 18)	134,132	102,766	96,925
Income before effect of changes in accounting principles	274,156	208,420	167,897
Extraordinary charge for early retirement of debt (Note 6)	–	(3,578)	–
Effect of changes in accounting principles (Notes 14 and 18)	–	(238,218)	–
Net income (loss)	$ 274,156	($33,376)	$ 167,897
Earnings (loss) per share (Note 19):			
Before effect of changes in accounting principles	$ 2.29	$ 1.62	$ 1.23
Extraordinary charge from early retirement of debt (Note 6)	–	(.03)	–
Effect of changes in accounting principles (Notes 14 and 18)	–	(1.85)	–
Earnings (loss) per share	$ 2.29	$ (.26)	$ 1.23

The accompanying accounting policies and notes are an integral part of the consolidated financial statements.

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Hercules Incorporated
Consolidated Balance Sheet

(Dollars in thousands)

	December 31 1994	1993
Assets		
Current Assets		
Cash and cash equivalents	$111,637	$154,628
Accounts receivable, net (Note 1)	588,851	575,924
Inventories (Note 2)	362,254	412,366
Deferred income taxes (Note 18)	89,573	83,605
Total Current Assets	1,152,315	1,226,523
Property, Plant and Equipment, net (Note 12)	1,216,055	1,309,335
Investments (Note 3)	224,760	232,077
Prepaid pension (Note 13)	222,412	229,923
Deferred charges and other assets	125,711	164,103
Total Assets	$2,941,253	$3,161,961
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payable	$ 162,858	$ 168,026
Short-term debt (Note 5)	188,347	163,901
Accrued expenses (Note 12)	416,265	552,284
Total Current Liabilities	767,470	884,211
Long-term debt (Note 6)	307,217	316,871
Deferred income taxes (Note 18)	129,183	126,203
Other postretirement benefits (Note 14)	253,435	272,955
Deferred credits and other liabilities	189,267	193,514
Stockholders' Equity		
Series preferred stock (Note 7)	–	–
Common stock (Note 8) (Shares issued: 1994, 149,115,459; 1993, 59,899,295)	77,665	31,198
Additional paid-in capital	394,749	453,553
Foreign currency translation adjustment	49,422	29,593
Retained earnings	1,474,329	1,955,005
	1,996,165	2,469,349
Reacquired stock, at cost (1994, 32,480,067; 1993, 19,062,295 shares)	701,484	1,101,142
Total Stockholders' Equity	1,294,681	1,368,207
Total Liabilities and Stockholders' Equity	$2,941,253	$3,161,961

The accompanying accounting policies and notes are an integral part of the consolidated financial statements.

ːrcules Incorporated
ɔnsolidated Statement of Cash Flow
ːrease (Decrease) in Cash and Cash Equivalents

(Dollars in thousands)

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	Year Ended December 31		
	1994	1993	1992
sh Flow from Operating Activities:			
t income (loss)	$ 274,156	$ (33,376)	$ 167,897
ustments to reconcile net income to net cash vided from operations:			
Effect of changes in accounting principles	–	238,218	–
Extraordinary charge for early retirement of debt	–	3,578	–
Depreciation	147,974	169,292	171,752
Contract deferrals and provisions	(48,000)	98,257	–
Nonoperating gain on disposals	(14,437)	(5,505)	(87,678)
Other nonoperating items	57,522	48,285	14,129
Accruals and deferrals of cash receipts and payments:			
Affiliates earnings less than dividends received	(5,624)	191	2,839
Accounts receivable	(17,791)	151,987	(35,899)
Inventories	35,924	31,507	28,870
Accounts payable and accrued expenses	(77,972)	(29,261)	71,778
Deferred charges	(15,508)	9,697	(28,269)
Noncurrent credits and liabilities	(38,492)	(23,382)	(482)
Net Cash Provided from Operations	297,752	659,488	304,937
h Flow from Investing Activities:			
ital expenditures	(164,182)	(149,466)	(150,111)
ːeeds of investment and fixed asset disposals	202,007	60,829	114,987
nents for businesses acquired, net of cash acquired	–	(1,137)	–
ı invested in unconsolidated affiliates, net	(2,416)	(5,540)	(15,644)
ːr	5,262	(8,332)	(9,049)
Net Cash Provided from (Used for) Investing Activities	40,671	(103,646)	(59,817)
ı Flow from Financing Activities:			
-term debt proceeds	80,008	194,588	116,618
-term debt repayments	(138,420)	(221,294)	(161,542)
ıge in short-term debt	97,821	(28,247)	(1,961)
mon stock issued	8,915	16,560	9,381
mon stock reacquired	(342,035)	(320,488)	(230,903)
ends paid	(89,045)	(94,962)	(100,561)
Net Cash Used for Financing Activities	(382,756)	(453,843)	(368,968)
t of exchange rate changes on cash	1,342	(923)	(1,218)
ıcrease (Decrease) in Cash and Cash Equivalents	(42,991)	101,076	(125,066)
and cash equivalents at beginning of year	154,628	53,552	178,618
and cash equivalents at end of year	$ 111,637	$ 154,628	$ 53,552
lemental Disclosures of Cash Flow Information:			
paid during the year for:			
ıterest (net of amount capitalized)	$ 30,988	$ 38,359	$ 41,840
ıcome taxes paid, net	194,385	132,827	61,507
ash investing and financing activities:			
onversion of notes and debentures	31,180	18,524	18,961
ontribution of net assets to joint venture	–	–	52,230
centive plan stock issuances	41,233	61,600	8,773
ːcounts payable for common stock acquisitions	7,946	22,046	1,764
·emium for early retirement of debt	–	4,144	–

ːompanying accounting policies and notes are an integral part of the consolidated financial statements.

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Hercules Incorporated
Consolidated Statement of Stockholders' Equity

(Dollars in thousand.

	Common Stock	Paid-In Capital	Translation Adjustment	Retained Earnings	Reacquire Stock
Balances at January 1, 1992	$30,290	$357,758	$80,367	$2,016,007	$566,035
(Common shares: Issued 58,155,928; reacquired, 11,463,354)					
Net Income	–	–	–	167,897	–
Cash dividends, $.75 per common share	–	–	–	(100,561)	–
Foreign currency translation adjustment	–	–	(44,989)	–	–
Purchase of common stock, 4,336,450 shares	–	–	–	–	231,433
Retirement of reacquired stock, 157,005 shares	(82)	(7,675)	–	–	(7,757)
Issuance of common stock:					
Incentive plans, net, 338,667 shares	176	17,978	–	–	–
Conversion of notes and debentures, 826,958 shares	431	18,530	–	–	–
Balances at December 31, 1992	30,815	386,591	35,378	2,083,343	789,711
(Common shares: Issued 59,164,548; reacquired, 15,642,799)					
Net Loss	–	–	–	(33,376)	–
Cash dividends, $.75 per common share	–	–	–	(94,962)	–
Foreign currency translation adjustment	–	–	(5,785)	–	–
Purchase of common stock, 3,959,300 shares	–	–	–	–	340,770
Issuance of common stock:					
Incentive plans, net, 857,015 shares including 539,804 from reacquired stock	166	48,655	–	–	(29,339)
Conversion of notes and debentures, 417,536 shares	217	18,307	–	–	–
Balances at December 31, 1993	31,198	453,553	29,593	1,955,005	1,101,142
(Common shares: Issued 59,899,295; reacquired, 19,062,295)					
Net Income	–	–	–	274,156	–
Cash dividends, $.75 per common share	–	–	–	(89,045)	–
Foreign currency translation adjustment	–	–	19,829	–	–
Purchase of common stock, 2,981,500 shares	–	–	–	–	327,935
Issuance of common stock:					
Incentive plans, net, 317,262 shares including 217,106 from reacquired stock	52	4,764	–	–	(13,473)
Conversion of notes and debentures, 705,702 shares	368	30,812	–	–	–
Retirement of reacquired stock, 11,000,000 shares	(5,729)	(94,380)	–	(614,011)	(714,120)
Three-for-one common stock split effected in the form of a stock dividend: issued 99,410,306 shares; 21,653,378 treasury shares	51,776	–	–	(51,776)	–
Balances at December 31, 1994	$77,665	$394,749	$49,422	$1,474,329	$701,484
(Common shares: Issued 149,115,459; reacquired, 32,480,067)					

The accompanying accounting policies and notes are an integral part of the consolidated financial statements.

Hercules Incorporated
Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of Hercules Incorporated and all wholly owned subsidiaries. Investments in affiliated companies owned 20% or more are accounted for on the equity method and, accordingly, consolidated income includes Hercules' share of their income.

Reclassifications

On December 8, 1994, the company's Board of Directors authorized a three-for-one stock split effected in the form of a 200% tax-free stock dividend distributed on January 30, 1995, to stockholders of record as of January 9, 1995. Stockholders' equity at December 31, 1994, has been adjusted to give retroactive effect to the stock split by reclassifying from retained earnings to common stock the par value of the additional shares arising from the split. In addition, all references in the financial statements to per-share amounts, number of shares at December 31, 1994, and stock option data of the company's common stock have been restated.

Equity in income of affiliated companies is reported before applicable income taxes and included in income before income taxes and effect of changes in accounting principles. Previously, equity in income of affiliated companies was reported net of applicable income taxes and included in income before effect of changes in accounting principles. Management believes that the current presentation is more meaningful. The effect on income before income taxes is $25,605, $24,108, and $15,984 for the years ended December 31, 1994, December 31, 1993, and December 31, 1992, respectively. The effect on the provision for income taxes is $8,700, $6,881, and $8,601 for the comparable periods. Financial statements for 1993 and 1992 have been reclassified to conform with the 1994 presentation.

Long-Term Contracts

Aerospace segment sales are principally under long-term contracts and include cost-reimbursement and fixed-price contracts. Sales under cost-reimbursement contracts are recognized as costs are incurred and include a proportion of the fees expected to be realized equal to the ratio of costs incurred to date to total estimated costs. Sales under fixed-price contracts are recognized as the actual cost of work performed relates to the estimate at completion.

Cost or performance incentives, which are incorporated in certain contracts, are recognized when realization is assured and amounts can be reasonably estimated. Estimated amounts for contract changes and claims are included in contract sales only when realization is probable. Assumptions used for recording sales and earnings are adjusted in the period of change to reflect revisions in contract value and estimated costs. In the period in which it is determined that a loss will be incurred on a contract, the entire amount of the estimated loss is charged to income.

Environmental Expenditures

Environmental expenditures that pertain to current operations or relate to future revenues are expensed or capitalized consistent with the company's capitalization policy. Expenditures that result from the remediation of an existing condition caused by past operations that do not contribute to current or future revenues are expensed. Liabilities are recognized for remedial activities when the cleanup is probable and the cost can be reasonably estimated.

Cash and Cash Equivalents

Cash in excess of operating requirements is invested in short-term, income-producing instruments. In accordance with company policy, cash equivalents include commercial paper and other securities with original maturities of 90 days or less. The book value approximates fair value because of the short maturity of those instruments.

Inventories

Inventories are stated at the lower of cost or market. Domestic inventories are valued predominantly on the last-in, first-out (LIFO) method. Foreign inventories and certain domestic inventories, which in the aggregate represent approximately 53% of total inventories, are valued principally on the average cost method. Inventoried costs relating to long-term contracts are stated at actual production cost.

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Property and Depreciation

Property, plant and equipment are stated at cost. The company changed to the straight-line method of depreciation, effective January 1, 1991, for newly acquired processing facilities and equipment. Assets acquired before the effective date of the change continue to be depreciated principally by accelerated methods. The company believes that straight-line depreciation provides for a better matching of costs and revenues over the lives of the assets.

Maintenance, repairs, and minor renewals are charged to income; major renewals and betterments are capitalized. Upon normal retirement or replacement, the cost of property (less proceeds of sale or salvage) is charged to income.

Income Taxes

Income taxes for 1994 and 1993 are determined in accordance with Statement of Financial Accounting Standards (SFAS) No. 109, which requires an asset and liability approach for financial accounting and reporting of income taxes. Changes in enacted tax rates are reflected in the tax provision as they occur. A valuation allowance is recorded to reduce deferred tax assets when realization of a tax benefit is unlikely.

For years prior to 1993, the provision for income taxes was determined under Accounting Principles Board Opinion 11 (APB 11), whereby the income tax provision was calculated under the deferred method.

The company provides taxes on undistributed earnings of subsidiaries and affiliates included in consolidated retained earnings to the extent such earnings are planned to be remitted and not reinvested permanently.

Foreign Currency Translation

With the exception of operations in countries with highly inflationary economies, the financial statements of Hercules' non-U.S. entities are translated into U.S. dollars using current rates of exchange, with gains or losses resulting from translation included in the foreign currency translation adjustment account in the stockholders' equity section of the balance sheet. The related allocation for income taxes is not significant. For foreign operations in countries with highly inflationary economies, financial statements are translated at either current or historical exchange rates, as appropriate. These currency adjustments, along with gains and losses on foreign currency transactions (denominated in currencies other than local currency), are reflected in net income. The translation loss of the inflationary component of interest income related to holding marketable securities in highly inflationary economies is classified as a reduction in interest income.

Financial Instruments and Hedging

Derivative financial instruments are used to hedge risk caused by fluctuating currency and interest rates. The company enters into forward exchange and foreign currency option contracts and currency swaps to hedge foreign currency exposure. Realized and unrealized gains and losses on these contracts are included in net income, except for gains and losses on contracts to hedge specific foreign currency commitments, which are deferred and accounted for as part of the transaction. Gains or losses on contracts used to hedge the value of investments in certain foreign subsidiaries are included in the foreign currency translation adjustment account. The company does not hold or issue financial instruments for trading purposes.

In addition, the company uses interest rate swap agreements to manage interest costs and risks associated with changing interest rates. The differential to be paid or received is accrued as interest rates change and is recognized in interest expense over the life of the agreements. Counterparties to the forward exchange, currency swap and interest rate swap contracts are major financial institutions. Credit loss from counterparty nonperformance is not anticipated.

Notes to Financial Statements (Dollars in thousands, except per share)

1. Accounts Receivable, Net

Accounts receivable, net, consists of:

	1994	1993
Trade	$537,383	$539,611
Other	58,675	42,573
Total	596,058	582,184
Less allowance for doubtful accounts	7,207	6,260
	$588,851	$575,924

Trade accounts receivable include amounts under long-term contracts and subcontracts (principally with the U.S. Government or U.S. Government contractors) of $171,705 at December 31, 1994, and $196,465 at December 31, 1993, net of progress payments of $297,200 and $373,132, respectively. Included in these amounts are unbilled accounts receivable (work in progress and claims) of $94,369 and $113,282, respectively, representing recoverable costs and accrued profits, which will be billed in accordance with contract terms and delivery schedules. Receivables that will not be collected within one year are $31,496 at December 31, 1994, and $15,144 at December 31, 1993.

Long-term U.S. Government contracts and subcontracts are subject to termination by the Government; however, in these circumstances, an equitable settlement of work performed is negotiated unless in the unlikely event it is determined to be a termination for default. Additionally, certain contracts are subject to final cost submissions and rate settlements. At December 31, 1994, there were no significant receivables subject to litigation. Additionally at December 31, 1994, net accounts receivable from customers located in the United States, Europe and other regions were $396,764, $160,798, and $31,289, respectively.

2. Inventories

The components of inventories are as follows:

	1994	1993
Finished products	$171,891	$199,053
Materials, supplies and work in process	190,363	213,313
	$362,254	$412,366

Inventories valued on the LIFO method were lower than if valued under the average cost method, which approximates current cost by $34,171 and $35,273 at December 31, 1994 and 1993, respectively.

3. Investments

Total equity investments in affiliated companies were $133,810 and $142,917 at December 31, 1994 and 1993, respectively. Dividends received from affiliated companies were $11,281 in 1994, $18,381 in 1993, and $10,222 in 1992.

Other investments, at cost or less, were $90,950 and $89,160, for the years ended December 31, 1994 and 1993, respectively. Included in these amounts are noncurrent marketable securities aggregating $53,242 and $52,264 for the corresponding years. The company's investments in equity and debt securities covered under the scope of Statement of Financial Accounting Standards (SFAS), No. 115, "Accounting for Certain Investments in Debt and Equity Securities" are classified as "available for sale". The value of these investments, based on market quotes, approximates book values.

4. Contract Deferrals and Provisions

Hercules entered into a Supplemental Agreement with the Titan IV SRMU prime contractor effective October 15, 1993. Contemporaneously with this agreement, which called for contract changes related to production, delivery, and launch schedules, the prime contractor entered into a Supplemental Agreement to its Titan IV

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prime contract with the Air Force, which was also effective October 15, 1993. As a result, Hercules dismissed its lawsuit against the prime contractor and received payments of $215,000 in November 1993, primarily for amortized investment in development and tooling costs and increased risk associated with the contract changes. Additional agreements between the parties provided for Hercules to receive payments for settlements of contract claims aggregating $84,000, of which $21,700 and $47,000 were received for 1994 and 1993, respectively.

Estimated costs at completion for the Titan IV SRMU program and other contracts are reviewed quarterly and consider the progress of the contracts, changes in contract terms and conditions, and other contingencies. Year-end deferrals and provisions are considered adequate to complete the contracts and amounted to $63,097 and $118,321 at December 31, 1994 and 1993, respectively. The decrease in the deferrals and provisions principally reflects diminished program risk relating to the Titan IV SRMU program coincident with 1994 progress toward program completion and a favorable contract modification, the final portion of which was negotiated in the fourth quarter of 1994.

5. Short-Term Debt

A summary of short-term debt follows:

	1994	1993
Commercial paper	$100,000	$ —
Banks	35,600	29,566
Current maturities of long-term debt	52,747	134,335
	$188,347	$163,901

Commercial paper is issued or renewed for varying periods, with interest at prevailing market rates. Bank borrowings represent primarily foreign overdraft facilities and short-term lines of credit, which are generally payable on demand with interest at various rates. Book values of commercial paper and bank borrowings approximate market value because of their short maturity period.

At December 31, 1994, Hercules had $66,376 of unused lines of credit that may be drawn as needed, with interest at a negotiated spread over lenders' cost of funds. Lines of credit in use at December 31, 1994, were $28,783.

6. Long-Term Debt

A summary of long-term debt follows:

	1994	1993
9.6% notes due 1994	$ —	$50,000
Term loans due 1993-1995 (a)	52,393	52,166
6.5% convertible subordinated debentures due 1999 (b)	4,242	5,568
7.85% notes due 2000	25,000	25,000
6.625% notes due 2003 (c)	124,842	124,823
8% convertible subordinated debentures due 2010 (d)	66,905	96,759
8.5% debentures due 2017 (e)	—	79,144
Variable rate loans (f)	75,400	—
Other	11,182	17,746
	359,964	451,206
Current maturities of long-term debt	(52,747)	(134,335)
Net long-term debt	$307,217	$316,871

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(a) The term loans are with several banks and bear interest at various rates at an agreed-upon spread over lenders' cost of funds.

(b) The subordinated debentures are convertible into common stock at $11.67 per share and are redeemable at the option of the company at varying rates.

(c) Par value of $125,000 issued June 1993.

(d) The subordinated debentures are convertible into common stock at $14.90 per share and are redeemable at the option of the company at varying rates. Beginning in 1996, the debentures require an annual sinking fund of $5,000.

(e) Debentures were redeemed in first quarter 1994. In December 1993, the company notified the holders of its intention to redeem the debentures in January 1994. An extraordinary charge of $3,578 (net of a tax benefit of $2,288), or $.03 per share, was recorded, principally for redemption premiums and unamortized issuance costs. 1993 "Current maturities of long-term debt" included these debentures.

(f) Uncollateralized bank borrowings with average maturities of 400 days, with interest at a negotiated spread over lenders' cost of funds.

The company has entered into a revolving credit and competitive advance facility agreement with various banks providing for commitments that terminate in 1995 and 1998. Under the agreement, Hercules may borrow up to a total of $380,000 (of which $280,000 was available at December 31, 1994) at an agreed-upon spread over London Interbank Offered Rate (LIBOR). This agreement requires the maintenance of certain financial ratios.

Long-term debt maturities during the next five years are $52,747 in 1995, $78,067 in 1996, $1,763 in 1997, $895 in 1998, and $4,414 in 1999.

7. Series Preferred Stock

The series preferred stock is without par value and is issuable in series. There are 2,000,000 shares authorized for issuance, of which none have been issued.

8. Common Stock

Hercules common stock has a stated value of $25/48, and 150,000,000 shares are authorized for issuance. At December 31, 1994, a total of 18,020,784 shares were reserved for issuance for the following purposes: 879,999 shares for sales to the Savings Plan Trustee; 8,102,250 shares for the exercise of awards under the Stock Option Plan; 2,527,713 shares for awards under incentive compensation plans; 4,854,609 shares for conversion of debentures and notes; and 1,656,213 shares for employee stock purchases.

Under the company's stock repurchase program started in 1991 through the year ended December 31, 1994, the Board of Directors had authorized the repurchase of up to 47,850,000 shares of company common stock, 4,350,000 shares of which was intended to satisfy requirements of various employee benefit programs. During this period, a total of 35,075,400 shares of common stock was purchased in the open market at an average price of $26.16 per share.

9. Preferred Stock Purchase Rights

Each outstanding share of common stock carries one preferred stock purchase right. The right may be exercised, under certain conditions, to purchase one three-thousandth of a share of new Series A Junior Participating Preferred Stock (no par) for $180. The rights are not exercisable or transferable apart from the common stock until 10 days after a public announcement that a person or group has acquired 20% or more, or intends to commence a tender offer for 30% or more, of the common stock of Hercules. The rights, which expire on July 13, 1995, do not have voting rights, are subject to adjustment to prevent dilution, and may be redeemed (under certain conditions) by the company at a price of $.007 per right at any time prior to an acquisition of 20% or more of the company's common stock, and, if no change of control of the company's Board of Directors has occurred, for 10 days thereafter.

In the event that the company is acquired in a merger, or other business combination transaction of 50% or more of its consolidated assets or earning power are sold, each right will entitle its holder to purchase from the surviving or acquiring corporation, for the exercise price, common stock having a market value of twice the exercise price of the right. Alternatively, if a 20% holder were to acquire the company by means of a reverse merger in which the company and its stock survive, or were to engage in certain "self-dealing" transactions, each right not owned by the 20% holder would become exercisable for the number of common shares which, at that time, would have a market value of two times the exercise price of the right.

At December 31, 1994, 150,000 shares of Series A Junior Participating Preferred Stock were reserved for issuance at certain terms upon the exercise of the Preferred Stock Purchase Rights. The voting, dividend, and liquidation rights of each three-thousandth of a share are generally equivalent to rights enjoyed by one share of common stock, subject to certain minimum preferences.

10. Stock-Based Incentive Plans

The incentive compensation plans provide for the grant of stock options and the award of common stock and other market-based units to certain key employees and nonemployee directors.

Shares of common stock awarded under these plans normally are either restricted stock (shares subject to restrictions on transfer and subject to risk of forfeiture until earned by continued employment) or performance shares (shares subject to the same restrictions and risk of forfeiture, whose ultimate distribution is contingent on performance as measured against predetermined objectives over a specified period of time). During the restriction period, award holders have the rights of stockholders, including the right to vote and receive cash dividends, except for the right to transfer ownership. Shares are forfeited and revert to the company as a result of employment termination, except in the case of death, disability, retirement, or other specified events. The number of awarded shares outstanding was 3,269,250, 2,863,341, and 1,420,095 at December 31, 1994, 1993, and 1992, respectively. The cost of stock awards and other market-based units, which is charged to income over the period during which the restrictions lapse or over the performance period, amounted to $41,256, $36,606, and $12,304 during 1994, 1993, and 1992, respectively. At December 31, 1994, there were 2,527,713 shares of common stock available for award under the plans.

Under the company's stock option plans, options are granted at the market price on the date of grant, are exercisable at various periods from one to five years after date of grant, and expire 10 years after date of grant.

A summary of the status of the company's stock option plans for the three years ended December 31, 1994, follows:

	Shares		
	Available for Grant	Outstanding	Price Range
January 1, 1992	5,203,800	3,251,310	$11.33 - $19.04
Granted	(1,012,200)	1,012,200	$16.33 - $18.50
Exercised		(699,090)	$11.83 - $19.04
Cancelled	5,940	(91,125)	$11.83 - $19.04
December 31, 1992	4,197,540	3,473,295	$11.33 - $19.04
Authorized	1,800,000		
Granted	(935,550)	935,550	$22.92 - $37.17
Exercised		(1,002,597)	$11.83 - $19.04
Cancelled		(5,700)	$11.83 - $19.04
December 31, 1993	5,061,990	3,400,548	$11.33 - $37.17
Granted	(872,700)	872,700	$35.29 - $38.33
Exercised		(348,438)	$11.83 - $25.00
Cancelled		(11,850)	$12.25 - $16.21
December 31, 1994	4,189,290	3,912,960	$11.33 - $38.33

Options exercisable at December 31, 1994, 1993, and 1992 were 2,242,950, 1,834,878, and 2,461,095, respectively. 003245

11. Employee Stock Purchase Plan

In April 1993, the company approved a qualified, noncompensatory, Employee Stock Purchase Plan, which allows eligible employees to acquire shares of common stock through systematic payroll deductions. The plan consists of three-month subscription periods starting on July 1, 1993. The purchase price for each share is 85% of the lower of the fair market value of the common stock on either the first or last day of that subscription period. Purchases are limited from 2% to 15% of an employee's base salary each pay period, subject to certain limitations. Currently, 1,800,000 shares of Hercules common stock are registered for offer and sale under the plan. Shares issued at December 31, 1994, and December 31, 1993, were 143,787 and 36,288, respectively.

12. Additional Balance Sheet Detail

	1994	1993
Property, Plant and Equipment		
Land	$ 32,368	$ 33,188
Buildings and equipment	2,998,002	3,102,072
Construction in progress	70,379	135,036
Total	3,100,749	3,270,296
Accumulated depreciation and amortization	1,884,694	1,960,961
Net Property, Plant and Equipment	$1,216,055	$1,309,335
Accrued Expenses		
Payroll and employee benefits	$ 77,819	$ 83,127
Income taxes payable	31,318	86,539
Contract deferrals and provisions (Note 4)	63,097	118,321
Other	244,031	264,297
Accrued Expenses	$ 416,265	$ 552,284

13. Pension Benefits

Hercules and its consolidated subsidiaries maintain various defined benefit pension plans covering substantially all employees. Benefits for the majority of plans are based on average final pay and years of service, while benefits for certain represented locations are based on stated amounts and years of service. The company's funding policy, consistent with statutory requirements and tax considerations, is based on actuarial computations utilizing the Entry Age Normal method of calculation.

Net periodic pension cost includes the following components:

	1994	1993	1992
Service cost (benefits earned during the year)	$ 27,938	$ 28,347	$ 26,658
Interest cost on projected benefit obligation	99,671	94,866	92,012
Return on plan assets	3,195	(240,192)	(47,695)
Plan deferrals and amortization	(111,348)	130,651	(65,803)
Amortization of transition asset	(18,928)	(18,952)	(20,135)
Net periodic pension expense (credit)	$ 528	$ (5,280)	$(14,963)

The company's pension plans have assets in excess of the accumulated benefit obligation. Plan assets include equity and fixed income securities and real estate. The following table presents a reconciliation of the funded status of the pension plans to prepaid pension expense.

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	1994	1993
Plan assets at fair value	$1,268,463	$1,446,555
Actuarial present value of benefit obligations:		
Accumulated benefit obligation (vested, 1994 - $1,020,673; 1993 - $1,128,583)	1,063,070	1,179,427
Effect of increase in compensation	117,947	175,180
Projected benefit obligation	1,181,017	1,354,607
Plan assets in excess of projected benefit obligation	87,446	91,948
Unrecognized net loss	192,572	206,698
Unrecognized prior service cost	52,391	60,054
Unrecognized transition asset	(109,997)	(128,777)
Prepaid pension expense	$ 222,412	$ 229,923

Significant assumptions used in determining pension obligations and the related pension expense include a weighted-average discount rate of 8.6% at December 31, 1994, and 7.25% at December 31, 1993, and an assumed rate of increase in future compensation of 4.5% at both dates. The 1994 discount rate was changed from 7.25% to 8.6% on October 1, 1994, based upon an interim valuation performed by the company's actuaries due to the pending sale of the Aerospace business. The increase in the discount rate reflects the significant increase in interest rates in 1994. The expected long-term rate of return on plan assets was 9.0% for 1994 and 1993.

The change in assumptions noted above decreased the accumulated benefit obligation and the projected benefit obligation by approximately $142,600 and $186,300 respectively.

14. Other Postretirement and Postemployment Benefits

Hercules provides certain defined benefit postretirement health care and life insurance benefits to retired employees. Substantially all employees are covered and become eligible for these benefits upon satisfying the appropriate age and service requirements necessary for receipt of these benefits.

Effective January 1, 1993, Hercules adopted Statement of Financial Accounting Standards (SFAS) No. 106, "Employers' Accounting for Postretirement Benefits Other than Pensions." SFAS No. 106 requires the recognition of these benefit costs on an accrual basis. Prior to January 1, 1993, the costs of retiree health care and life insurance were expensed as incurred. The effect of adopting this accounting standard was recognized immediately as the effect of a change in accounting principle and resulted in a charge of $187,860 (net of a tax benefit of $115,140) or $1.46 per share against 1993 net income. This represented the accumulated postretirement benefit obligation existing at January 1, 1993. This amount excluded approximately $60,000 related to employees of Government-owned, contractor-operated plants. Based on opinion of company counsel, management believes that postretirement benefits for these employees are the obligation of the United States Government. The new accounting standard would have increased periodic benefit expenses; however, modifications to the Hercules benefit plans announced in February 1993 have more than offset the increase.

The following provides a reconciliation of the accumulated postretirement benefit obligation (APBO) to the liabilities reflected in the company's balance sheet at December 31, 1994 and 1993:

Accumulated postretirement benefit obligation:	1994	1993
Retirees	$173,342	$198,440
Fully eligible employees	14,420	8,712
Other employees	23,474	34,848
Total accumulated postretirement benefit obligation	211,236	242,000
Plan assets at fair value	8,772	10,625
APBO in excess of plan assets	202,464	231,375
Unrecognized prior service benefit	59,013	58,974
Unrecognized gain (loss) on plan assets	(457)	325
Unrecognized actuarial gain	16,993	1,703
Accrued postretirement benefit cost	278,013	292,377
Amount included in accrued expenses -- Other	(24,578)	(19,422)
Other postretirement benefits	$253,435	$272,955

The postretirement plans are contributory. In August 1993, the company established a Voluntary Employees' Beneficiary Association (VEBA) Trust and contributed $10,000 to fund postretirement benefits for eligible employees. Benefits for retirees not eligible under the Trust continue to be paid by the company. The company will periodically seek reimbursement from the Trust for claims paid by the company that are eligible for reimbursement. During 1994, $2,004 in reimbursements was obtained from the Trust. The plan assets are invested primarily in equity funds. The weighted average of the expected long-term rate of return on plan assets is 9%.

In January 1994, Hercules implemented managed care and managed care pharmacy programs for retirees. These programs reduced the accumulated postretirement benefit obligation by $8,205. In February 1993, the company modified its health care benefits. The changes provided for increased cost-sharing by current and future retirees. The plan modifications reduced the accumulated postretirement benefit obligation by $61,832. These amounts are being amortized over the average remaining service lives of the company's active employees. In addition, the components of net periodic benefit costs have been reduced by $9,950 and $8,600 in 1994 and 1993, respectively, as a result of these changes. The net periodic postretirement benefit costs for 1994 and 1993 are as follows:

	1994	1993
Service cost (benefits attributed to service during the year)	$ 1,832	$ 2,084
Interest cost on accumulated postretirement benefit obligation	17,076	19,873
Plan deferrals and amortization	(4,747)	(2,533)
Return on plan assets	(152)	(625)
Net periodic postretirement benefit cost	$14,009	$18,799

In 1992, the annual costs of these benefits were expensed as paid and totaled $22,550.

The weighted-average discount rate used to estimate the accumulated postretirement benefit obligation was 8.6% and 7.25% at December 31, 1994 and 1993, respectively. The 1994 discount rate was changed from 7.25% to 8.6% on October 1, 1994 based upon an interim valuation performed by the company's actuaries due to the pending sale of the Aerospace business. The increase in the discount rate reflects the significant increase in interest rates in 1994. The assumed health care cost trend rate at December 31, 1994, was 9% grading down to 5% in 1998 and thereafter. The assumed health care cost trend rate at December 31, 1993, was 10% grading down to 5% in 1998 and thereafter. At December 31, 1994 and 1993, the assumed compensation increases for life insurance were based on graded scales averaging 4.4% for salaried employees and 3.4% for wage employees. The change in the assumptions noted above did not have a material effect on the accumulated postretirement benefit obligation.

A one-percentage-point increase in the assumed health care cost trend rate would have increased the accumulated postretirement benefit obligation as of December 31, 1994, and the net periodic postretirement benefit cost for 1994 by $17,000 and $1,800, respectively, and $19,500 and $1,800, respectively, as of December 31, 1993.

Hercules provides certain disability and workers' compensation benefits to former or inactive employees. Effective January 1, 1993, Hercules adopted SFAS No. 112, "Employers' Accounting for Postemployment Benefits". This statement requires recognition of these benefits on an accrual basis. Prior to January 1, 1993,

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disability benefits and workers' compensation benefits were expensed as claims were reported. The company's accrued liability under SFAS No. 112 at December 31, 1994, and December 31, 1993, was approximately $19,000. The effect of adopting SFAS No. 112 was recognized immediately in 1993 as the effect of a change in accounting principle and resulted in a charge of $12,400 (net of a tax benefit of $7,600) or $.10 per share against 1993 net income. Adoption of this standard did not materially affect 1993 results of operations.

15. Other Operating Expenses, Net

Other operating expenses, net, include environmental cleanup costs, principally for nonoperating sites of $20,366 in 1994, $34,744 in 1993, and $45,152 in 1992. Other operating expenses, net, in 1994 also included employee separation costs from a corporate-wide early retirement incentive option and involuntary terminations and writeoffs of $18,738.

Net restructuring and other writeoffs in 1993 were $52,168 including $25,000 of estimated operating losses, shutdown costs and loss on sale related to the disposition of the Liquid Molding Resins business, $20,654 of severance costs related to involuntary terminations, and $4,600 of asset writedowns associated with an idle manufacturing facility.

1992 restructuring charges and other writeoffs of $44,998 were principally severance costs including rationalization of worldwide administrative and support functions.

16. Interest and Debt Expense

Interest and debt costs are summarized as follows:

	1994	1993	1992
Costs incurred	$36,038	$41,897	$48,966
Amount capitalized	7,901	5,738	7,770
Amount expensed	$28,137	$36,159	$41,196

17. Other Income (Expense), Net

Other income (expense), net, consists of the following:

	1994	1993	1992
Interest income	$8,191	$8,695	$13,414
Net gains on dispositions	14,437	5,505	87,678
Gain from litigation settlements	–	29,036	–
Investment writeoffs	–	–	(18,063)
Miscellaneous expense, net	(30,656)	(27,630)	(37,422)
	$(8,028)	$15,606	$45,607

Net gains on dispositions primarily reflect the sale of the company's interests in affiliated companies. Gain from litigation settlements in 1993 substantially relates to businesses acquired in the 1980s. Investment writeoffs in 1992 primarily reflect the termination of a joint venture to supply paraxylene for an exclusive purchase and resale contract. Owing to market conditions, this contract was in a loss position and the termination caused immediate recognition of the estimated losses associated with the remaining obligations under the contract. Miscellaneous expense, net, includes net foreign currency gains (losses) of $(8,557), $(1,132) and $(8,055) in 1994, 1993, and 1992, respectively.

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18. Income Taxes

Effective January 1, 1993, Hercules adopted Statement of Financial Accounting Standards (SFAS) No. 109, "Accounting for Income Taxes." (See "Income Taxes" under Summary of Significant Accounting Policies.) Deferred tax balances at January 1, 1993, were remeasured in accordance with SFAS No. 109, resulting in a charge of $37,958, or $.29 per share, against net income. The charge primarily represents the effect of adjusting deferred taxes to reflect recognition of foreign tax credits on a tax rather than book basis. The effect of adopting this standard was recognized immediately as the effect of a change in accounting principle and financial statements for years prior to 1993 were not restated. Information shown below for those prior years was determined under the provisions of Accounting Principles Board (APB) Opinion 11.

The domestic and foreign components of income before taxes on income are presented below:

	1994	1993	1992
Domestic	$243,211	$177,957	$133,769
Foreign	165,077	133,229	131,053
	$408,288	$311,186	$264,822

A summary of the components of the tax provision follows:

	1994	1993	1992
Currently payable			
U.S. Federal	$83,162	$105,792	$50,836
Foreign	45,802	36,705	42,804
State	5,753	4,880	2,830
Deferred			
Domestic	(5,200)	(41,707)	6,125
Foreign	4,615	(2,904)	(5,670)
Provision for income taxes (excluding extraordinary item and effect of accounting changes)	134,132	102,766	96,925
Extraordinary item	–	(2,288)	–
Effect of accounting changes:			
Postretirement benefits	–	(115,140)	–
Postemployment benefits	–	(7,600)	–
Income taxes	–	37,958	–
Total provision	$134,132	$15,696	$96,925

Deferred tax liabilities (assets) at December 31, 1994 and 1993 consist of:

	1994	1993
Depreciation	$192,485	$203,686
Prepaid pension	87,984	88,202
Inventory	8,373	8,556
Other	12,801	12,801
Gross deferred tax liabilities	301,643	313,245
Postretirement benefits other than pensions	(112,874)	(118,706)
Accrued expenses	(100,388)	(94,255)
Government contracts	(14,621)	(32,745)
Loss carryforwards	(16,471)	(17,270)
Foreign tax credit carryforwards	–	(4,306)
Other	(32,873)	(23,664)
Gross deferred tax assets	(277,227)	(290,946)
Valuation allowance	15,194	20,299
	$ 39,610	$ 42,598

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Included in the SFAS No. 109 adoption at January 1, 1993, were valuation allowances of $35,629. The decrease in the valuation allowance in 1994 and 1993 relates principally to utilization of foreign tax credit carryforwards.

Under the provisions of APB 11, deferred taxes for 1992 relate to the following timing differences between financial and taxable income:

	1992
Depreciation	$13,021
Pension expense	9,842
Government contracts	7,995
Interest	510
Environmental expenses	(8,864)
Undistributed earnings	(7,665)
Inventory	(1,998)
Severance benefits	(4,061)
Other, net	(8,325)
	$ 455

In the fourth quarter of 1993, based upon clarification of certain tax law provisions concerning research and experimentation (R&E) credits, the company recognized an R&E credit of $9,700. Upon further clarification, the company recognized an additional $4,000 of R&E credit in 1994. The tax credit relates to research and development expenditures incurred on certain Government contracts. Additional amounts of R&E credit may be recorded in future years as clarifications of the R&E credit provisions continue to occur.

A reconciliation of the U.S. statutory income tax rate to the effective rate (excluding extraordinary item and effect of changes in accounting principles) follows:

	1994	1993	1992
U.S. statutory income tax rate	35%	35%	34%
R&E tax credit	(1)	(4)	–
Undistributed earnings	–	–	(3)
Foreign dividends net of credits	1	4	7
State taxes	1	2	1
Sale of investments	–	–	(1)
Difference in foreign tax rates	–	1	2
Valuation allowance	(1)	(5)	–
Other	(2)	–	(3)
Effective tax rate	33%	33%	37%

The undistributed earnings of subsidiaries and affiliates on which no provision for foreign withholding or U.S. income taxes has been made amounted to $246,833 at December 31, 1994. U.S. and foreign income taxes that would be payable if such earnings were distributed may be lower than the amount computed at the U.S. statutory rate because of the availability of tax credits.

19. Earnings per Share

Primary earnings per share are calculated on the basis of the average number of common and common equivalent shares, using net income adjusted to reflect the elimination of interest expense, net of taxes, on the 6.5% convertible debentures. Shares (post-split basis) and interest expense used in the calculation are as follows:

	Shares	Interest
1994	120,040,209	$149
1993	128,594,688	$226
1992	136,921,479	$717

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Fully diluted earnings per share, which additionally assumes conversion of the 8% convertible subordinated debentures, are not materially different from primary earnings per share or are anti-dilutive. Equivalent shares are increased by an additional 4,900,548 in 1994, 6,843,036 in 1993, and 7,711,332 in 1992, and net income is further adjusted to eliminate interest expense, net of taxes, of $3,855 for 1994, $5,287 for 1993, and $6,066 for 1992.

20. Financial Instruments and Risk Management

a. Notional Amounts and Credit Exposure of Derivatives

The notional amounts of derivatives summarized below do not represent amounts exchanged by the parties and, thus, are not a measure of the exposure of the company through its use of derivatives. The amounts exchanged are calculated on the basis of the notional amounts and the other terms of the derivatives, which relate to interest rates or exchange rates.

b. Interest Rate Risk Management

In April 1992, the company entered into a three-year amortizing interest rate swap agreement whereby 5.52% per annum fixed-rate debt has been effectively converted to floating-rate debt. Beginning in March 1993, the company entered into another agreement effectively converting floating-rate debt into debt with a fixed rate of 7.52% per annum. In March 1994, the company entered into two additional agreements effectively converting floating-rate debt into debt with a fixed rate of 4.92% and 4.923% per annum, respectively. For the years 1994 and 1993, these contracts resulted in an (increase) reduction in the effective interest rate of (.6%) and 0.7% per annum, respectively, on the weighted-average notional principal amounts outstanding. The aggregate notional principal amounts at the end of the corresponding periods were $160,000 and $150,000, respectively. These agreements mature through the first quarter of 1996.

The following table indicates the types of swaps used and their weighted-average interest rates.

	1994	1993
Receive-fixed swaps - notional amount	$50,000	$100,000
Average receive rate	5.5%	5.5%
Average pay rate	4.3%	3.3%
Pay-fixed swaps - notional amount	110,000	50,000
Average pay rate	6.1%	7.5%
Average receive rate	4.5%	3.3%

c. Foreign Exchange Risk Management

The company enters into forward exchange contracts and purchased options to hedge certain firm purchase and sale commitments denominated in foreign currencies (principally Danish kroner, Dutch guilder, Belgian franc, British pound sterling, and German mark). Some of the contracts involve the exchange of two foreign currencies, according to local needs in foreign subsidiaries. The term of the currency derivatives is rarely more than one year. The purpose of the company's foreign currency hedging activities is to protect the company from the risk that the eventual net cash flows resulting from the sale of products to foreign customers and purchases from foreign suppliers will be adversely affected by changes in exchange rates. Foreign exchange contracts do not expose the company to accounting risk due to exchange rate movements as gains and losses on the contracts offset gains and losses on the underlying exposures being hedged. At December 31, 1994 and 1993, the company had outstanding forward exchange contracts to purchase foreign currencies aggregating $50,946 and $24,251 and to sell foreign currencies aggregating $283,782 and $271,869, respectively. Non-U.S. dollar cross-currency trades aggregated $401,756 and $258,530, respectively. The forward exchange contracts mature during 1995. No currency swap agreements were outstanding at December 31, 1994 or 1993. Additionally, there were no deferrals of gains or losses on forward exchange contracts at December 31, 1994.

Fair Values

The following table presents the carrying amounts and fair values of the company's financial instruments at December 31, 1994 and 1993.

	December 31, 1994		December 31, 1993	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Investment securities	$53,242	$53,242	$52,264	$52,264
Long-term debt	(359,964)	(460,041)	(451,206)	(619,897)
Foreign exchange contracts	(1,100)*	(1,100)	(975)*	(975)
Interest rate swap contracts	(1,029)*	862	(191)*	(1,335)

The carrying amount represents the net unrealized gain (loss) or net interest receivable (payable) associated with the contracts at the end of the period.

Fair Value Disclosures
The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

Investment securities
Valued at quoted market prices.

Long-term debt
Present value of expected cash flows related to existing borrowings discounted at rates currently available to the company for long-term borrowings with similar terms and remaining maturities.

Foreign exchange contracts
Year-end exchange rates.

Interest rate swap contracts
Bank or market quotes or discounted cash flows using year-end interest rates.

21. Pending Divestitute

In March 1995, Hercules expects to complete the sale of a substantial portion of its Aerospace segment to Alliant Techsystems Incorporated (Alliant), at a gain, for approximately $300 million in cash and 3.86 million shares of newly issued Alliant common stock. Net sales for the business units to be divested were $657,393, $687,955 and $745,600 for the years ended December 31, 1994, 1993 and 1992, respectively. Operating profits were $110,427, $110,224 and $61,709 for the corresponding periods.

22. Divestitures

During 1994, the company completed the divestiture of its Packaging Films and Liquid Molding Resins business units for $172,600 in cash, subject to post-closing adjustments. The effect of the divestitures on the results of operations is not significant. Net sales of these units were $46,825, $164,229, and $170,353 for the years ended December 31, 1994, 1993, and 1992. Operating losses for the corresponding periods were $0, $27,816 (including restructuring charges of $25,000), and $11,900.

23. Commitments and Contingencies

(a) Leases:
Hercules has certain operating leases, including office space and transportation and data processing equipment, expiring at various dates. Rental expense relating to these leases was $40,579 in 1994, $46,005 in 1993, and $48,090 in 1992.

At December 31, 1994, minimum rental payments under non-cancelable leases aggregated $336,666 with subleases of $9,616. A significant portion of the lease payments relate to a long-term operating lease for corporate office facilities. The net minimum payments over the next five years are $25,345 in 1995, $17,028 in 1996, $15,715 in 1997, $18,207 in 1998, and $20,257 in 1999.

(b) Capital Expenditures:
Capital expenditures are expected to approximate $146,000 in 1995.

(c) Environmental:
Hercules has been identified as a potentially responsible party (PRP) by U.S. Federal and State authorities for environmental cleanup at numerous sites. The estimated range of the reasonably possible costs of remediation is between $64,000 and $244,000. The actual costs will depend upon numerous factors, including the number of parties found liable at each environmental site and their ability to pay, the actual method of remediation, outcome of negotiations with regulatory authorities, outcome of litigation, changes in environmental laws and regulations, technological developments, and the years of remedial activity required, which could range up to 30 years. Hercules becomes aware of sites in which it may be but has not yet been named a PRP principally through its knowledge of investigation of sites by the U.S. Environmental Protection Agency (EPA) or other Government agency or through correspondence with previously named PRPs requesting information of Hercules' activities at sites under investigation. Hercules brought suit in late 1992 against its insurance carriers for past and future costs for remediation of certain environmental sites. Hercules has not included any insurance recovery in the estimates set forth above.

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Hercules has established procedures for identification of environmental issues at Hercules plant sites. Hercules designates an environmental coordinator at all operating facilities. Environmental coordinators are familiar with environmental laws and regulations and are a resource for identification of environmental issues. Hercules also has an environmental audit program which is designed to identify environmental issues at operating plant sites. Through these programs, Hercules identifies potential environmental, regulatory, and remedial issues.

Litigation over liability at Jacksonville, Arkansas, the most significant site, has been pending since 1980. As a result of a pretrial court ruling in October 1993, Hercules has been held jointly and severally liable for costs incurred and for future remediation costs at the Jacksonville site by the District Court, Eastern District of Arkansas (the Court). Appeal of the Court's ruling with respect to the finding of Hercules being jointly and severally liable will be filed promptly after issuance of a final court order. In mid-November 1993, an advisory jury found Uniroyal Chemical, Ltd., liable for the Jacksonville site, but also found that Uniroyal had proven a reasonable basis for allocation of responsibility. That same advisory jury found that Standard Chlorine of Delaware is not a liable party for the Jacksonville site. The Court may take the jury's findings into consideration when reaching its decision regarding these parties. The Court has not entered its ruling on the liability of Uniroyal and Standard Chlorine. Appeals of the Court's expected rulings with respect to Uniroyal and Standard Chlorine are probable.

Other defendants in this litigation have either settled with the Government or, in the case of the Department of Defense, have not been held liable. Hercules appealed the Court's order finding the Department of Defense not liable. On January 31, 1995 the 8th Circuit Court of Appeals upheld the Court's order holding the Department of Defense not liable. Hercules intends to petition the U.S. Supreme Court on this ruling.

Hercules' potential costs for remediation of the Jacksonville site are presently estimated between $23,000 and $149,000. Hercules' potential costs are based on its assessment of potential liability, the level of participation by other PRPs and upon current estimates of the costs to remediate the Jacksonville site. The costs to remediate will vary as Records of Decision are issued on each operable unit of the site and as remediation methods are approved by the EPA.

At December 31, 1994, the accrued liability for environmental remediation represents management's best estimate of the probable and reasonably estimable costs related to environmental remediation. The extent of liability is evaluated quarterly. The measurement of the liability is evaluated quarterly based on currently available information, including the progress of remedial investigation at each site and the current status of negotiations with regulatory authorities regarding the method and extent of apportionment of costs among other PRPs. The company does not anticipate that its financial condition will be materially affected by environmental remediation costs in excess of amounts accrued, although quarterly or annual operating results could be materially affected.

(d) Litigation:

Hercules is a defendant in numerous lawsuits that arise out of, and are incidental to, the conduct of its business. In these legal proceedings, no director, officer, or affiliate is a party or a named defendant. These suits concern issues such as product liability, contract disputes, labor-related matters, patent infringement, environmental proceedings, and personal injury matters. Hercules also is a defendant in one Federal Administrative Law Proceeding and two Qui Tam ("Whistle Blower") lawsuits brought by former employees.

Under the terms of the agreements relating to the sale of a substantial portion of the Aerospace segment, all litigation and legal disputes arising in the ordinary course of the operation of the business sold will be assumed by Alliant Techsystems Inc. except for a few specific lawsuits and disputes including the two Qui Tam lawsuits referred to above. Although Hercules will remain responsible for the Qui Tam actions, Alliant has agreed to reimburse Hercules for a portion of all litigation costs incurred, and a portion of damages, if any, awarded in these suits.

The Qui Tam suits were brought by former employees who had been terminated by Hercules in Reduction-in-Force programs. The first Qui Tam suit involves allegations relating to submission of false claims and records, delivery of defective products, and a deficient quality control program. The second Qui Tam suit involves allegations of mischarging of work performed under Government contracts, misuse of Government equipment, other acts of financial mismanagement and wrongful termination claims. The subject matter of both of these Qui Tam suits was investigated by the U.S. Department of Justice. As a result of these investigations, the Government declined to intervene, i.e., prosecute Hercules in either of these suits.

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Hercules denies the allegations made in these suits and intends to vigorously defend these allegations in Court.

While it is not feasible to predict the outcome of all pending suits and claims, management does not anticipate that the ultimate resolution of these matters will have a material effect upon the consolidated financial position of Hercules, although the resolution of any of the matters during a specific period could have a material effect on the quarterly or annual operating results for that period.

24. Operations by Industry Segment and Geographic Area
(Dollars in millions)

In the Operations by Industry Segment and Geographic Area table that follows, sales to the U.S. Government and other customers under Government contracts, principally by the Aerospace segment, aggregate $602, $633, and $696 in 1994, 1993 and 1992, respectively. Intersegment sales are eliminated and are insignificant.

Operating results and other financial data are prepared on an "entity basis," which means that net sales, profit (loss) from operations, and assets of a legal entity are included in the geographic area where the legal entity is located. For example, a direct sale from the United States to an unaffiliated customer in Europe is reported as a U.S. sale. Interarea sales between Hercules locations are made at transfer prices that approximate market price and have been eliminated from consolidated net sales. Operating profit for the individual area does not include the full profitability generated by sales of Hercules products imported from other geographic areas.

Identifiable assets include net trade accounts receivable, inventories, and net property, plant and equipment.

Consolidated foreign subsidiaries had net assets (including translation adjustment) of $574 at December 31, 1994, $520 at December 31, 1993, and $552 at December 31, 1992, and net income excluding the extraordinary item and effect of changes in accounting principles of $117 in 1994, $95 in 1993, and $91 in 1992.

Direct export sales from the United States to unaffiliated customers were $286, $256, and $260 for 1994, 1993, and 1992, respectively.

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24. **Operations by Industry Segment and Geographic Area**
(Dollars in millions) continued

Industry Segments	Chemical Specialties	Food & Functional Products	Aerospace	Corporate & Other	Tota
1994					
Net Sales	$1,081	$945	$743	$52	$2,821
Profit (Loss) from Operations	197	148	98	(24)	419
Identifiable Assets	715	780	601	25	2,121
Capital Expenditures	52	100	10	2	164
Depreciation	49	53	40	6	148
1993					
Net Sales	976	867	754	176	2,773
Profit (Loss) from Operations	149	113	105	(59)	308
Identifiable Assets	676	699	664	216	2,255
Capital Expenditures	51	68	23	7	149
Depreciation	54	55	44	16	169
1992					
Net Sales	1,023	865	797	180	2,865
Profit (Loss) from Operations	162	109	52	(79) (1)	244
Identifiable Assets	676	734	835	218	2,463
Capital Expenditures	54	73	17	6	150
Depreciation	51	56	50	15	172

Geographic Areas	United States	Europe	Other	Eliminations	Total
1994					
Net Sales to Unaffiliated Customers	$1,921	$709	$191	$	$2,821
Interarea Sales	103	97	12	(212)	–
Total	2,024	806	203	(212)	2,821
Profit from Operations	250	145	24		419
Identifiable Assets	1,406	622	93		2,121
993					
Net Sales to Unaffiliated Customers	1,994	624	155		2,773
Interarea Sales	87	76	16	(179)	–
Total	2,081	700	171	(179)	2,773
Profit from Operations	193	111	4		308
Identifiable Assets	1,627	546	82		2,255
1992					
Net Sales to Unaffiliated Customers	2,023	680	162		2,865
Interarea Sales	93	65	15	(173)	–
Total	2,116	745	177	(173)	2,865
Profit from Operations	135	96	13		244
Identifiable Assets	1,842	532	89		2,463

(1) Includes worldwide rationalization of $23, principally related to administration and support functions that supplied services to the Chemical Specialties and Food & Functional Products segments.

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Hercules Incorporated
Summary of Quarterly Results (Unaudited)

(Dollars in millions, except pe

Operating Results	1st Quarter 1994	1st Quarter 1993	2nd Quarter 1994	2nd Quarter 1993	3rd Quarter 1994	3rd Quarter 1993	4th Quarter 1994	4th Quarter 1993	Year 1994	Year 199
Net Sales	$680	$672	$706	$711	$681	$676	$754	$714	$2,821	$2,773
Cost of Sales	476	478	490	510	466	481	491	462	1,923	1,931
SG&A and R&D	110	110	106	107	104	104	121	126	440	447
Other Operating Expenses, Net	16	36	9	8	6	7	8	36	39	87
Profit from Operations	78	48	100	86	106	84	134	90	419	308
Equity Income	6	4	8	8	7	5	5	6	26	24
Interest and Debt Expense	7	10	7	10	7	8	7	8	28	36
Other Income (Expense) - Net	1	28	(4)	4	(6)	(2)	1	(15)	(8)	15
Income Before Taxes	78	71	97	88	100	79	133	73	408	311
Income Taxes	26	27	32	34	34	27	42	15	134	103
Income Before Extraordinary Item and Accounting Changes	52	44	65	54	66	52	91	58	274	208
Income Before Extraordinary Item and Accounting Changes	52	44	65	54	66	52	91	58	274	208
Extraordinary Item	-	-	-	-	-	-	-	(3)	-	(3)
Accounting Changes	-	(238)	-	-	-	-	-	-	-	(238)
Net Income (Loss)	$52	$(194)	$65	$54	$66	$52	$91	$55	$274	$(33)
Earnings (Loss) Per Share										
Before Extraordinary Item and Accounting Changes	$.43	$.34	$.54	$.42	$.55	$.40	$.77	$.46	$2.29	$1.62
Extraordinary Item	-	-	-	-	-	-	-	(.03)	-	(.03)
Accounting Changes	-	(1.83)	-	-	-	-	-	-	-	(1.85)
Earnings (Loss) Per Share	$.43	$(1.49)	$.54	$.42	$.55	$.40	$.77	$.43	$2.29	$(.26)
Net Sales by Industry Segment										
Chemical Specialties	$255	$240	$272	$254	$271	$240	$283	$242	$1,081	$976
Food & Functional Products	222	215	244	235	243	215	235	202	945	867
Aerospace	160	172	183	175	165	178	234	229	743	754
Corporate & Other	43	45	6	47	1	43	2	41	52	176
Total	$680	$672	$706	$711	$681	$676	$754	$714	$2,821	$2,773
Profit (Loss) from Operations by Industry Segment										
Chemical Specialties	$43	$36	$54	$42	$53	$41	$47	$30	$197	$149
Food & Functional Products	33	31	40	35	43	30	32	17	148	113
Aerospace	9	13	13	14	15	15	61	63	98	105
Corporate & Other	(7)	(32)	(7)	(5)	(5)	(2)	(6)	(20)	(24)	(59)
Total	$78	$48	$100	$86	$106	$84	$134	$90	$419	$308

ncipal Consolidated, Wholly Owned Subsidiaries (Directly or Indirectly)

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AUSTRIA
?-tex Chemie GmbH, Traun

nE BAHAMAS
Hercules International Trade Corporation Limited
(HINTCO), Nassau

BELGIUM
rcules Belgium N.V., Doel/Beringen
Hercules Europe N.V., Brussels

ERMUDA
tis Bay Insurance Co., Ltd., Hamilton

RAZIL
alon do Brasil S.A., São Paulo
cules do Brasil Produtos Quimicos Ltda.,
São Paulo

IADA
ercules Canada Inc., Missisauga, Ontario

IMARK
enhagen Pectin A/S, Lille Skensved

LAND
ules Limited, Surrey

NI AND
Iercofinn Ab, Helsinki

RANCE
lon France B.V., Rueil
ules S.A., Rueil

MANY
ules GmbH, Düsseldorf
mosin GmbH, Grossenbrode/Holstein

G KONG
ules China Limited, Hong Kong

iles Italia S.p.A., Milan

PAN
les Japan Ltd., Tokyo

XICO
ca Hercules, S.A. de C.V., Mexico, D.F.

THE NETHERLANDS
Hercules B.V., Rijswijk

SINGAPORE (REPUBLIC OF)
Hercules Singapore Pte Ltd., Singapore

SPAIN
Ceratonia S.A., Tarragona
Hercules Aerospace Espãna, S.A., Madrid

SWEDEN
Hercules AB, Göteborg

UNITED STATES
Aqualon Company, Wilmington, Delaware
Hercules Credit, Inc., Wilmington, Delaware
Hercules Trading Corporation, Wilmington,
Delaware

VIRGIN ISLANDS
Hercules Overseas Corporation, St. Croix

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Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE:

Not Applicable.

PART III

Item 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT:

Information regarding directors and nominees for directors of the Company is included under the caption entitled "Election of Three Directors (Proxy Item No. 1)" on pages 3 through 4 of the Proxy Statement and is incorporate herein by reference. Information regarding executive officers is contained on pages 18 through 20 of that report.

Disclosure of information for directors, officers, and other persons not meeting the timely reporting requirements under section 16(a) of the Exchange Act is contained in the Proxy Statement under the caption entitled "Compliance with Section 16(a) of the Securities Exchange Act of 1934" on page 12 and is incorporated herein by reference.

Item 11. EXECUTIVE COMPENSATION:

Information regarding executive compensation of Hercules' directors and executive officers is included in the Proxy Statement under the caption entitled "Corporate Governance - Directors and Executives" on pages 9 through 11, and the caption entitled "Executive Compensation" on pages 12 through 14, respectively, and is incorporated herein by reference.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT:

Information regarding beneficial ownership of the Common Stock by certain beneficial owners and by management of the Company is included under the caption entitled "Security Ownership of Certain Beneficial Owners" or pages 8 and 9 of the Proxy Statement and is incorporated herein by reference.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS:

Information regarding certain relationships and related transactions with management is included under the caption entitled "Certain Relationships and Related Transactions" on page 9 of the Proxy Statement and is incorporated herein by reference.

PART IV

Item 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K:

(a) Documents filed as part of this Report:

1. Financial Statements

   These documents are listed in the Index to Consolidated Financial Statements. See Item 8.

2. Financial Statement Schedules:

   All schedules are omitted because they are not applicable, not required, or the information required is either presented in the Notes to Financial Statements or has not changed materially from that previously reported.

3. Exhibits:

   A complete listing of exhibits required is given in the Exhibit Index which precedes the exhibits filed with this Report.

(b) Reports on Form 8-K.

Hercules was not required to file any reports on Form 8-K for the quarter ended December 31, 1994.

However, an optional filing (Item 5 event) 8-K filing was made on October 28, 1994 related to the acquisition by Alliant Techsystems of a substantial portion of the Aerospace segment and included the Purchase and Sale Agreement between Hercules Incorporated and Alliant Techsystems dated October 28, 1994 and press release from Hercules Incorporated dated October 28, 1994.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on March 24, 1995.

HERCULES INCORPORATED

By R. KEITH ELLIOTT
R. Keith Elliott, Executive Vice President and Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant in the capacities indicated on March 24, 1995.

Principal Executive Officer and Director:
Chairman, President and Chief Executive Officer — THOMAS L. GOSSAGE
Thomas L. Gossage

Principal Financial Officer and Director:
Executive Vice President and Chief Financial Officer — R. KEITH ELLIOTT
R. Keith Elliott

Principal Accounting Officer:
Controller — VIKRAM JOG
Vikram Jog

Directors:

MANFRED CASPARI
Manfred Caspari

RALPH L. MACDONALD, JR.
Ralph L. MacDonald, Jr.

RICHARD M. FAIRBANKS, III
Richard M. Fairbanks, III

H. EUGENE MCBRAYER
H. Eugene McBrayer

EDITH E. HOLIDAY
Edith E. Holiday

PAULA A. SNEED
Paula A. Sneed

ROBERT G. JAHN
Robert G. Jahn

LEE M. THOMAS
Lee M. Thomas

GAYNOR N. KELLEY
Gaynor N. Kelley

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EXHIBIT INDEX

umber	Description	Incorporated by Reference to
3-A	Restated Certificate of Incorporation of Hercules Incorporated as revised and amended July 6, 1988.	Exhibit 3-A, Annual Report on Form 10-K, filed March 26, 1993.
3-B	By-Laws of Hercules Incorporated as revised and amended October 30, 1991.	Exhibit 3-B, Annual Report on Form 10-K, filed March 26, 1993.
-A	Form of Rights Agreement between the Company and Manufacturers Hanover Trust Company, dated as of June 24,1987.	Form 8-A filed July 10, 1987*.
4-B	The Company is party to several long-term debt instruments under which in each case the total amount of securities authorized does not exceed 10% of the total assets of Hercules. Pursuant to paragraph 4(iii)(A) of Item 601(b) of Regulation S-K, the Company agrees to furnish a copy of such instruments to the Securities and Exchange Commission upon request.	
A	Hercules Incorporated Unit Incentive Plan.	Appendix A, Notice of Annual Meeting and Proxy Statement Dated February 10, 1969*.
-B	Hercules Executive Survivor Benefit Plan.	Exhibit 10-D, Annual Report on Form 10-K, filed March 27, 1981*.
	Hercules Incorporated Phantom Stock Plan.	Exhibit E, Notice of Annual Meeting and Proxy Statement Dated February 14, 1986*.
-D	Hercules Incorporated Restricted Stock Plan of 1986.	Exhibit B, Notice of Annual Meeting and Proxy Statement Dated February 14, 1986*.
-E	Hercules Incorporated Stock Option Plan of 1986.	Exhibit D, Notice of Annual Meeting and Proxy Statement Dated February 14, 1986*.
	Hercules Incorporated Deferred Compensation Plan.	Exhibit 10-I, Annual Report on Form 10-K, filed March 29, 1988.
	Hercules Incorporated Long Term Incentive Compensation Plan.	Exhibit 4.1, Registration Statement on Form S-8, filed July 1, 1993.
-H	Hercules Incorporated Annual Management Incentive Compensation Plan.	Exhibit 10-H, Annual Report on Form 10-K, filed March 26, 1993.
-I	Hercules Incorporated 1993 Nonemployee Director Stock Accumulation Plan.	Exhibit 4.1, Registration Statement on Form S-8, filed July 16, 1993.

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EXHIBIT INDEX (Cont'd)

Number	Description	Incorporated by Reference to
10-J	Hercules Incorporated Deferred Compensation Plan for Nonemployee Directors.	Exhibit 10-J, Annual Report on Form 10-K, filed March 26, 1993.
10-K	Hercules Incorporated Retirement Plan for Nonemployee Directors.	Exhibit 10-K, Annual Report on Form 10-K, filed March 26, 1993.
10-L	Hercules Employee Pension Restoration Plan.	Exhibit 10-L, Annual Report on Form 10-K, filed March 26, 1993.
10-M	Form of Employment Contract between the Company and certain directors and officers of the Company.	Exhibit 10-J, Annual Report on Form 10-K, filed March 29, 1988*.
10-N	Form of Indemnification Agreement between the Company and certain directors and officers of the Company.	Annex II, Notice of Annual Meeting and Proxy Statement Dated February 19, 1987*.
10-O	Employment contract between the Company and R. Keith Elliott entered into April 19, 1991.	Exhibit 10-O, Annual Report on Form 10-K, filed March 26, 1993.
10-P	Hercules Incorporated Long Term Incentive Compensation Plan	
21	Subsidiaries of the Registrant.	Page 36 of 1994 Form 10-K. See Part II, Item 8.
23-A	Consent of Independent Accountants.	Page 42 of 1994 Form 10-K.
23-B	Consent of Company Counsel.	Page 42 of 1994 Form 10-K.
27	Financial Data Schedule	

* Previously filed as indicated and incorporated herein by reference. Exhibits incorporated by reference should be located in SEC File No. 1-496.

:xhibit 23-A. CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the incorporation by reference in the registration statements of Hercules Incorporated and subsidiary -ompanies on Form S-8 [Registration No. 33-37279 (which includes Registration No. 33-21668), No. 33-14912, No. 3-15052, No. 33-21667, No. 33-47664, No. 33-51178, No. 33-52621, No. 33-66136 and No. 33-65352] and on Form -3 (Registration No. 33-15104 and No. 33-33768) of our report dated January 30, 1995 on our audits of the consolidated financial statements of Hercules Incorporated and subsidiary companies as of December 31, 1994 and 993, and for each of the three years in the period ended December 31, 1994, which report is included in this Annual eport on Form 10-K.

oopers & Lybrand L.L.P.
!00 Eleven Penn Center
iladelphia, Pennsylvania 19103
March 27, 1995

hibit 23-B. CONSENT OF COMPANY COUNSEL

hereby consent to the reference to Company Counsel in Notes 23(c) and 23(d) of Notes to the Consolidated Financial tements.

Vilmington, Delaware
ch 27, 1995

Michael B. Keehan
Vice President and
General Counsel
Hercules Incorporated

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