

STATEMENTS OF CONSOLIDATED INCOME AND COMPREHENSIVE INCOME
(thousands of dollars except per common share data)

	Year Ended December 31,		
	2016	2015	2014
Net sales	\$ 11,855,602	\$ 11,339,304	\$ 11,129,533
Cost of goods sold	5,933,337	5,780,078	5,965,049
Gross profit	5,922,265	5,559,226	5,164,484
Percent to net sales	50.0%	49.0%	46.4%
Selling, general and administrative expenses	4,159,435	3,913,518	3,822,966
Percent to net sales	35.1%	34.5%	34.3%
Other general expense - net	12,368	30,268	37,482
Impairment of goodwill and trademarks	10,688		
Interest expense	154,088	61,791	64,205
Interest and net investment income	(4,960)	(1,399)	(2,995)
Other (income) expense - net	(4,587)	6,082	(15,400)
Income before income taxes	1,595,233	1,548,966	1,258,226
Income taxes	462,530	495,117	392,339
Net income	\$ 1,132,703	\$ 1,053,849	\$ 865,887
Net income per common share: ⁽¹⁾			
Basic	\$ 12.33	\$ 11.43	\$ 9.00
Diluted	\$ 11.99	\$ 11.15	\$ 8.77

⁽¹⁾ Presented under the treasury stock method. See Note 15.

	Year Ended December 31,		
	2016	2015	2014
Net income	\$ 1,132,703	\$ 1,053,849	\$ 865,887
Other comprehensive income (loss), net of tax:			
Foreign currency translation adjustments	(18,648)	(128,245)	(103,441)
Pension and other postretirement benefit adjustments:			
Amounts recognized in Other comprehensive loss ⁽¹⁾	(28,385)	7,974	(56,536)
Amounts reclassified from Other comprehensive loss ⁽²⁾	7,635	5,847	8,980
	(20,750)	13,821	(47,556)
Unrealized net gains (losses) on available-for-sale securities:			
Amounts recognized in Other comprehensive loss ⁽³⁾	1,046	(1,191)	366
Amounts reclassified from Other comprehensive loss ⁽⁴⁾	89	478	(283)
	1,135	(713)	83

Unrealized net gains on cash flow hedges:**Amounts recognized in Other
comprehensive loss ⁽⁵⁾****85,007****Other comprehensive income (loss)****46,744**

(115,137)

(150,914)

Comprehensive income**\$ 1,179,447****\$ 938,712****\$ 714,973**⁽¹⁾ Net of taxes of \$17,200, \$(3,399) and \$24,954, in 2016, 2015 and 2014, respectively.⁽²⁾ Net of taxes of \$(4,691), \$(1,647) and \$(2,712), in 2016, 2015 and 2014, respectively.⁽³⁾ Net of taxes of \$(643), \$736 and \$(228), in 2016, 2015 and 2014, respectively.⁽⁴⁾ Net of taxes of \$(55), \$(296) and \$178 in 2016, 2015 and 2014, respectively.⁽⁵⁾ Net of taxes of \$(52,226) in 2016.*See notes to consolidated financial statements.*

CONSOLIDATED BALANCE SHEETS
(thousands of dollars)

	December 31,		
	2016	2015	2014
Assets			
Current assets:			
Cash and cash equivalents	\$ 889,793	\$ 205,744	\$ 40,732
Accounts receivable, less allowance	1,230,987	1,114,275	1,130,565
Inventories:			
Finished goods	898,627	840,603	841,784
Work in process and raw materials	169,699	177,927	191,743
	<u>1,068,326</u>	<u>1,018,530</u>	<u>1,033,527</u>
Deferred income taxes	57,162	87,883	109,087
Other current assets	<u>381,030</u>	<u>230,748</u>	<u>251,655</u>
Total current assets	<u>3,627,298</u>	<u>2,657,180</u>	<u>2,565,566</u>
Goodwill	1,126,892	1,143,333	1,158,346
Intangible assets	255,010	255,371	289,127
Deferred pension assets	225,529	244,882	250,144
Other assets	421,904	436,309	415,120
Property, plant and equipment:			
Land	115,555	119,530	125,691
Buildings	714,815	696,202	698,202
Machinery and equipment	2,153,437	2,026,617	1,952,037
Construction in progress	117,126	81,082	59,330
	<u>3,100,933</u>	<u>2,923,431</u>	<u>2,835,260</u>
Less allowances for depreciation	<u>2,005,045</u>	<u>1,881,569</u>	<u>1,814,230</u>
	<u>1,095,888</u>	<u>1,041,862</u>	<u>1,021,030</u>
Total Assets	<u><u>\$ 6,752,521</u></u>	<u><u>\$ 5,778,937</u></u>	<u><u>\$ 5,699,333</u></u>
Liabilities and Shareholders' Equity			
Current liabilities:			
Short-term borrowings	\$ 40,739	\$ 39,462	\$ 679,436
Accounts payable	1,034,608	1,157,561	1,042,182
Compensation and taxes withheld	398,045	338,256	360,458
Accrued taxes	76,765	81,146	86,744
Current portion of long-term debt	700,475	3,154	3,265
Other accruals	<u>578,547</u>	<u>522,280</u>	<u>508,581</u>
Total current liabilities	<u>2,829,179</u>	<u>2,141,859</u>	<u>2,680,666</u>
Long-term debt	1,211,326	1,907,278	1,115,996
Postretirement benefits other than pensions	250,397	248,523	277,892
Other long-term liabilities	583,178	613,367	628,309
Shareholders' equity:			
Common stock - \$1.00 par value:			
93,013,031, 92,246,525, and 94,704,173 shares outstanding			
at December 31, 2016, 2015 and 2014, respectively	116,563	115,761	114,525

Other capital	2,488,564	2,330,426	2,079,639
Retained earnings	4,049,497	3,228,876	2,424,674
Treasury stock, at cost	(4,235,832)	(4,220,058)	(3,150,410)
Cumulative other comprehensive loss	(540,351)	(587,095)	(471,958)
Total shareholders' equity	1,878,441	867,910	996,470
Total Liabilities and Shareholders' Equity	\$ 6,752,521	\$ 5,778,937	\$ 5,699,333

See notes to consolidated financial statements.

STATEMENTS OF CONSOLIDATED CASH FLOWS
(thousands of dollars)

	Year Ended December 31,		
	2016	2015	2014
Operating Activities			
Net income	\$ 1,132,703	\$ 1,053,849	\$ 865,887
Adjustments to reconcile net income to net operating cash:			
Depreciation	172,074	170,323	169,087
Amortization of intangible assets	25,637	28,239	29,858
Impairment of goodwill and trademarks	10,688		
Amortization of credit facility and debt issuance costs	63,759	3,096	3,224
Provisions for environmental-related matters	42,932	31,071	36,046
Provisions for qualified exit costs	3,038	9,761	13,578
Deferred income taxes	(68,241)	4,976	(19,038)
Defined benefit pension plans net cost	14,851	6,491	990
Stock-based compensation expense	72,109	72,342	64,735
Net decrease in postretirement liability	(12,373)	(6,645)	(718)
Decrease in non-traded investments	64,689	65,144	63,365
(Gain) loss on sale or disposition of assets	(30,564)	(803)	1,436
Other	5,101	3,615	(3,021)
Change in working capital accounts:			
(Increase) in accounts receivable	(113,855)	(56,873)	(80,252)
(Increase) in inventories	(52,577)	(40,733)	(101,112)
(Decrease) increase in accounts payable	(118,893)	160,111	78,603
(Decrease) increase in accrued taxes	(2,159)	4,606	13,187
Increase (decrease) in accrued compensation and taxes withheld	60,632	(13,128)	29,513
(Increase) decrease in refundable income taxes	(1,343)	19,230	(36,601)
Other	56,215	(955)	(20,029)
Costs incurred for environmental-related matters	(15,178)	(11,995)	(9,676)
Costs incurred for qualified exit costs	(6,267)	(11,200)	(10,882)
Other	5,594	(43,059)	(6,652)
Net operating cash	1,308,572	1,447,463	1,081,528
Investing Activities			
Capital expenditures	(239,026)	(234,340)	(200,545)
Proceeds from sale of assets	38,434	11,300	1,516
Increase in other investments	(103,182)	(65,593)	(111,021)
Net investing cash	(303,774)	(288,633)	(310,050)
Financing Activities			
Net (decrease) increase in short-term borrowings	(899)	(630,226)	591,423
Proceeds from long-term debt	500	797,514	1,474
Payments of long-term debt	(1,111)		(500,661)
Payments for credit facility and debt issuance costs	(65,119)		
Payments of cash dividends	(312,082)	(249,647)	(215,263)
Proceeds from stock options exercised	86,831	89,990	100,069
Income tax effect of stock-based compensation exercises and vesting		89,691	68,657
Treasury stock purchased		(1,035,291)	(1,488,663)

Other	(15,473)	(42,384)	(24,111)
Net financing cash	(307,353)	(980,353)	(1,467,075)
Effect of exchange rate changes on cash	(13,396)	(13,465)	(8,560)
Net increase (decrease) in cash and cash equivalents	684,049	165,012	(704,157)
Cash and cash equivalents at beginning of year	205,744	40,732	744,889
Cash and cash equivalents at end of year	\$ 889,793	\$ 205,744	\$ 40,732
Taxes paid on income	\$ 477,786	\$ 335,119	\$ 310,039
Interest paid on debt	153,850	48,644	67,306

See notes to consolidated financial statements.

STATEMENTS OF CONSOLIDATED SHAREHOLDERS' EQUITY
(thousands of dollars except per common share data)

	Common Stock	Preferred Stock	Unearned ESOP Compen- sation	Other Capital	Retained Earnings	Treasury Stock	Cumulative Other Comprehensive Loss	Total
Balance at January 1, 2014	\$ 112,902	\$ 40,406	\$ (40,406)	\$ 1,847,801	\$ 1,774,050	\$ (1,639,174)	\$ (321,044)	\$ 1,774,535
Net income					865,887			865,887
Other comprehensive loss							(150,914)	(150,914)
Treasury stock purchased						(1,488,663)		(1,488,663)
Redemption of preferred stock		(40,406)	40,406					
Stock options exercised	1,423			98,646		(22,573)		77,496
Income tax effect of stock compensation				68,657				68,657
Restricted stock and stock option grants (net activity)	200			64,535				64,735
Cash dividends -- \$2.20 per common share					(215,263)			(215,263)
Balance at December 31, 2014	114,525	—	—	2,079,639	2,424,674	(3,150,410)	(471,958)	996,470
Net income					1,053,849			1,053,849
Other comprehensive loss							(115,137)	(115,137)
Treasury stock purchased						(1,035,291)		(1,035,291)
Stock options exercised	1,134			88,856		(34,357)		55,633
Income tax effect of stock compensation				89,691				89,691
Restricted stock and stock option grants (net activity)	102			72,240				72,342
Cash dividends -- \$2.68 per common share					(249,647)			(249,647)
Balance at December 31, 2015	115,761	—	—	2,330,426	3,228,876	(4,220,058)	(587,095)	867,910
Net income					1,132,703			1,132,703
Other comprehensive income							46,744	46,744
Stock options exercised	706			86,125		(15,774)		71,057
Restricted stock and stock option grants (net activity)	96			72,013				72,109
Cash dividends -- \$3.36 per common share					(312,082)			(312,082)
Balance at December 31, 2016	\$ 116,563	\$ —	\$ —	\$ 2,488,564	\$ 4,049,497	\$ (4,235,832)	\$ (540,351)	\$ 1,878,441