

Item 8. Financial Statements and Supplementary Data.

CONSOLIDATED STATEMENTS OF EARNINGS

	For the years ended December 31,		
(In thousands, except per share data)	2017	2016	2015
Net sales			
Product sales	\$ 1,854,216	\$ 1,714,358	\$ 1,796,802
Service sales	416,810	394,573	408,881
Total net sales	<u>2,271,026</u>	<u>2,108,931</u>	<u>2,205,683</u>
Cost of sales			
Cost of product sales	1,184,358	1,100,287	1,156,596
Cost of service sales	268,073	258,161	265,832
Total cost of sales	<u>1,452,431</u>	<u>1,358,448</u>	<u>1,422,428</u>
Gross profit	818,595	750,483	783,255
Research and development expenses	60,308	58,592	60,837
Selling expenses	120,002	111,228	121,482
General and administrative expenses	<u>298,542</u>	<u>272,565</u>	<u>290,319</u>
Operating income	339,743	308,098	310,617
Interest expense	41,471	41,248	36,038
Other income, net	<u>1,347</u>	<u>1,111</u>	<u>615</u>
Earnings before income taxes	299,619	267,961	275,194
Provision for income taxes	<u>(84,728)</u>	<u>(78,579)</u>	<u>(82,946)</u>
Earnings from continuing operations	<u>214,891</u>	<u>189,382</u>	<u>192,248</u>
Loss from discontinued operations, net of taxes	<u>—</u>	<u>(2,053)</u>	<u>(46,787)</u>
Net earnings	<u>\$ 214,891</u>	<u>\$ 187,329</u>	<u>\$ 145,461</u>
Basic earnings per share:			
Earnings from continuing operations	\$ 4.86	\$ 4.27	\$ 4.12
Loss from discontinued operations	<u>—</u>	<u>(0.05)</u>	<u>(1.00)</u>
Total	<u>\$ 4.86</u>	<u>\$ 4.22</u>	<u>\$ 3.12</u>
Diluted earnings per share:			
Earnings from continuing operations	\$ 4.80	\$ 4.20	\$ 4.04
Loss from discontinued operations	<u>—</u>	<u>(0.05)</u>	<u>(0.99)</u>
Total	<u>\$ 4.80</u>	<u>\$ 4.15</u>	<u>\$ 3.05</u>
Dividends per share	<u>\$ 0.56</u>	<u>\$ 0.52</u>	<u>\$ 0.52</u>
Weighted average shares outstanding:			
Basic	44,182	44,389	46,624
Diluted	44,761	45,045	47,616

See notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

<i>(In thousands)</i>	For the years ended December 31,		
	2017	2016	2015
Net earnings	\$ 214,891	\$ 187,329	\$ 145,461
Other comprehensive income			
Foreign currency translation, net of tax ⁽¹⁾	77,942	(64,840)	(87,527)
Pension and postretirement adjustments, net of tax ⁽²⁾	(3,026)	(988)	(9,990)
Other comprehensive income (loss), net of tax	74,916	(65,828)	(97,517)
Comprehensive income	<u>\$ 289,807</u>	<u>\$ 121,501</u>	<u>\$ 47,944</u>

⁽¹⁾ The tax benefit (expense) included in other comprehensive income for foreign currency translation adjustments for 2017, 2016, and 2015 were (\$1.9) million, \$1.7 million, and \$2.7 million, respectively.

⁽²⁾ The tax benefit (expense) included in other comprehensive income for pension and postretirement adjustments for 2017, 2016, and 2015 were \$2.8 million, (\$1.7) million, and \$9.5 million, respectively.

See notes to consolidated financial statements

CONSOLIDATED BALANCE SHEETS

<i>(In thousands, except share data)</i>	As of December 31,	
	2017	2016
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 475,120	\$ 553,848
Receivables, net	494,923	463,062
Inventories, net	378,866	366,974
Other current assets	52,951	30,927
Total current assets	1,401,860	1,414,811
Property, plant, and equipment, net	390,235	388,903
Goodwill	1,096,329	951,057
Other intangible assets, net	329,668	271,461
Other assets	18,229	11,549
Total assets	<u>\$3,236,321</u>	<u>\$ 3,037,781</u>
LIABILITIES		
Current liabilities:		
Current portion of long-term and short-term debt	\$ 150	\$ 150,668
Accounts payable	185,176	177,911
Accrued expenses	150,406	130,239
Income taxes payable	4,564	18,274
Deferred revenue	214,891	170,143
Other current liabilities	35,810	28,027
Total current liabilities	590,997	675,262
Long-term debt	813,989	815,630
Deferred tax liabilities, net	49,360	49,722
Accrued pension and other postretirement benefit costs	121,043	107,151
Long-term portion of environmental reserves	14,546	14,024
Other liabilities	118,586	84,801
Total liabilities	1,708,521	1,746,590
Contingencies and Commitments (Notes 12, 16 and 18)		
STOCKHOLDERS' EQUITY		
Common stock, \$1 par value, 100,000,000 shares authorized as of December 31, 2017 and December 31, 2016; 49,187,378 shares issued as of December 31, 2017 and December 31, 2016; outstanding shares were 44,123,519 as of December 31, 2017 and 44,181,050 as of December 31, 2016	49,187	49,187
Additional paid in capital	120,609	129,483
Retained earnings	1,944,324	1,754,907
Accumulated other comprehensive loss	(216,840)	(291,756)
Common treasury stock, at cost (5,063,859 shares as of December 31, 2017 and 5,006,328 shares as of December 31, 2016)	(369,480)	(350,630)
Total stockholders' equity	1,527,800	1,291,191
Total liabilities and stockholders' equity	<u>\$3,236,321</u>	<u>\$ 3,037,781</u>

See notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the years ended December 31,		
(In thousands)	2017	2016	2015
Cash flows from operating activities:			
Net earnings	\$ 214,891	\$ 187,329	\$ 145,461
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	99,995	96,008	100,810
(Gain) loss on sale of businesses	(875)	(845)	16,991
(Gain) loss on fixed asset disposals	29	(2,069)	(945)
Deferred income taxes	(5,782)	1,224	63,535
Share-based compensation	11,572	9,478	9,473
Impairment of assets held for sale	—	—	40,813
Changes in operating assets and liabilities, net of businesses acquired and disposed of:			
Receivables, net	(16,388)	91,692	(77,106)
Inventories, net	19,711	4,391	(4,039)
Progress payments	(774)	2,583	3,680
Accounts payable and accrued expenses	4,323	4,125	(447)
Deferred revenue	36,898	(11,084)	4,839
Income taxes	(5,479)	11,797	(7,436)
Net pension and postretirement liabilities	3,481	3,405	(139,610)
Termination of interest rate swap	—	20,405	—
Other liabilities	25,686	11,474	(5,410)
Other	1,424	(6,716)	11,870
Net cash provided by operating activities	388,712	423,197	162,479
Cash flows from investing activities:			
Proceeds from sales and disposals of long-lived assets	6,769	3,674	2,277
Proceeds from divestitures	6,973	1,027	31,344
Additions to property, plant, and equipment	(52,705)	(46,776)	(35,512)
Acquisition of businesses, net of cash acquired	(232,630)	(295)	(13,228)
Additional consideration paid on prior year acquisitions	(735)	(564)	(457)
Net cash used for investing activities	(272,328)	(42,934)	(15,576)
Cash flows from financing activities:			
Borrowings under revolving credit facilities	7,658	7,839	70,324
Payment of revolving credit facilities	(8,176)	(8,430)	(70,134)
Principal payments on debt	(150,000)	—	(8,400)
Repurchases of company stock	(52,127)	(105,249)	(294,130)
Proceeds from share-based compensation plans	14,179	22,300	28,706
Dividends paid	(24,740)	(23,067)	(24,122)
Other	(692)	(635)	(581)
Excess tax benefits from share-based compensation	—	11,101	9,119
Net cash used for financing activities	(213,898)	(96,141)	(289,218)
Effect of exchange-rate changes on cash	18,786	(18,971)	(19,104)
Net increase (decrease) in cash and cash equivalents	(78,728)	265,151	(161,419)
Cash and cash equivalents at beginning of year	553,848	288,697	450,116
Cash and cash equivalents at end of year	<u>\$ 475,120</u>	<u>\$ 553,848</u>	<u>\$ 288,697</u>
Supplemental disclosure of non-cash activities:			
Capital expenditures incurred but not yet paid	976	2,512	2,108

See notes to consolidated financial statements