

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

CONSOLIDATED STATEMENTS OF EARNINGS

	Year Ended December 31		
	2016	2015	2014
(Dollars in millions, except per-share amounts)			
Revenue:			
Products	\$19,885	\$20,280	\$19,564
Services	11,468	11,189	11,288
	31,353	31,469	30,852
Operating costs and expenses:			
Products	15,443	15,871	15,335
Services	9,661	9,468	9,644
General and administrative (G&A)	1,940	1,952	1,984
	27,044	27,291	26,963
Operating earnings	4,309	4,178	3,889
Interest, net	(91)	(83)	(86)
Other, net	13	7	(1)
Earnings from continuing operations before income tax	4,231	4,102	3,802
Provision for income tax, net	1,169	1,137	1,129
Earnings from continuing operations	3,062	2,965	2,673
Discontinued operations, net of tax benefit of \$51 in 2016, \$7 in 2015 and \$16 in 2014	(107)	—	(140)
Net earnings	\$ 2,955	\$ 2,965	\$ 2,533
Earnings per share			
Basic:			
Continuing operations	\$ 10.05	\$ 9.23	\$ 7.97
Discontinued operations	(0.35)	—	(0.41)
Net earnings	\$ 9.70	\$ 9.23	\$ 7.56
Diluted:			
Continuing operations	\$ 9.87	\$ 9.08	\$ 7.83
Discontinued operations	(0.35)	—	(0.41)
Net earnings	\$ 9.52	\$ 9.08	\$ 7.42

The accompanying Notes to Consolidated Financial Statements are an integral part of these financial statements.

CONSOLIDATED BALANCE SHEETS

(Dollars in millions)	December 31	
	2016	2015
ASSETS		
Current assets:		
Cash and equivalents	\$ 2,334	\$ 2,785
Accounts receivable	3,611	3,446
Contracts in process	5,282	4,357
Inventories	3,523	3,366
Other current assets	697	617
Total current assets	15,447	14,571
Noncurrent assets:		
Property, plant and equipment, net	3,467	3,466
Intangible assets, net	678	763
Goodwill	11,445	11,443
Other assets	1,835	1,754
Total noncurrent assets	17,425	17,426
Total assets	\$ 32,872	\$ 31,997
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Short-term debt and current portion of long-term debt	\$ 900	\$ 501
Accounts payable	2,538	1,964
Customer advances and deposits	4,939	5,674
Other current liabilities	4,469	4,306
Total current liabilities	12,846	12,445
Noncurrent liabilities:		
Long-term debt	2,988	2,898
Other liabilities	6,062	5,916
Commitments and contingencies (see Note N)		
Total noncurrent liabilities	9,050	8,814
Shareholders' equity:		
Common stock	482	482
Surplus	2,819	2,730
Retained earnings	25,227	23,204
Treasury stock	(14,156)	(12,392)
Accumulated other comprehensive loss	(3,396)	(3,286)
Total shareholders' equity	10,976	10,738
Total liabilities and shareholders' equity	\$ 32,872	\$ 31,997

The accompanying Notes to Consolidated Financial Statements are an integral part of these financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in millions)	Year Ended December 31		
	2016	2015	2014
Cash flows from operating activities – continuing operations:			
Net earnings	\$ 2,955	\$ 2,965	\$ 2,533
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation of property, plant and equipment	366	366	375
Amortization of intangible assets	88	116	121
Equity-based compensation expense	100	110	128
Deferred income tax provision	376	167	136
Discontinued operations, net of tax	107	–	140
(Increase) decrease in assets, net of effects of business acquisitions:			
Accounts receivable	(161)	604	330
Contracts in process	(1,033)	231	281
Inventories	(154)	(156)	(303)
Increase (decrease) in liabilities, net of effects of business acquisitions:			
Accounts payable	567	(89)	(161)
Customer advances and deposits	(825)	(1,756)	691
Other current liabilities	(30)	(52)	(229)
Other, net	(158)	101	(214)
Net cash provided by operating activities	2,198	2,607	3,828
Cash flows from investing activities:			
Capital expenditures	(392)	(569)	(521)
Maturities of held-to-maturity securities	–	500	–
Purchases of held-to-maturity securities	–	–	(500)
Proceeds from sales of assets	9	291	102
Other, net	(43)	(22)	(183)
Net cash (used) provided by investing activities	(426)	200	(1,102)
Cash flows from financing activities:			
Purchases of common stock	(1,996)	(3,233)	(3,382)
Proceeds from fixed-rate notes	992	–	–
Dividends paid	(911)	(873)	(822)
Repayment of fixed-rate notes	(500)	(500)	–
Proceeds from stock option exercises	292	268	547
Other, net	(46)	(29)	(18)
Net cash used by financing activities	(2,169)	(4,367)	(3,675)
Net cash (used) provided by discontinued operations	(54)	(43)	36
Net decrease in cash and equivalents	(451)	(1,603)	(913)
Cash and equivalents at beginning of year	2,785	4,388	5,301
Cash and equivalents at end of year	\$ 2,334	\$ 2,785	\$ 4,388

The accompanying Notes to Consolidated Financial Statements are an integral part of these financial statements.