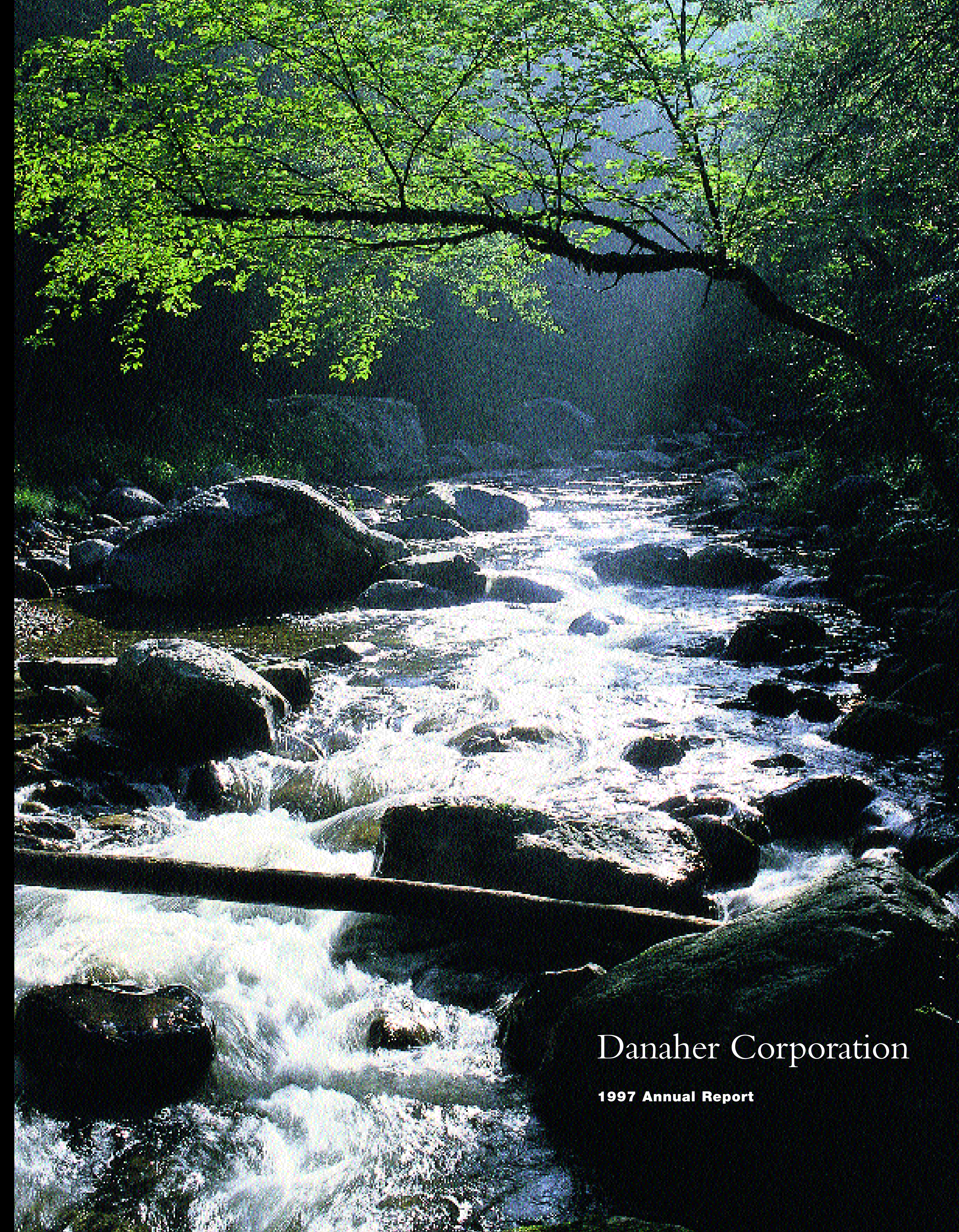
Danaher Corporation
1250 24th Street, NW
Suite 800
Washington, D.C. 20037
202 828 0850



Danaher Corporation

1997 Annual Report

About the Cover:

Over a decade ago, the vision of a manufacturing company, dedicated to continuous improvement and customer satisfaction, was conceived during a fishing trip on the Danaher, a tributary to the south fork of the Flat Head River which runs through the Bob Marshall Wilderness in western Montana. The founders of the company adopted the Danaher name for their new organization. The origin of "Danaher" goes back to the root "Dana," a Celtic word dating from before 700 B.C. and meaning "swift flowing."

As the Danaher Corporation has evolved, the elements of a swift-flowing river have been retained. The company has never strayed from the clarity of its initial vision. The flow of business is ever changing, but the guiding principles remain constant. Over time, the company has grown rapidly in size and success, achieving record levels, again, in 1997.

Danaher Corporation

Danaher Corporation designs, manufactures and markets industrial and consumer products with strong brand names, proprietary technology and major market positions in two principal businesses: Tools and Components and Process/Environmental Controls.

Through a focused strategy, Danaher has become a leading manufacturer, competing effectively on a global basis by leveraging product value, quality and customer service. Today, Danaher's 13,200 associates are located in more than 20 countries around the world.

Contents

Shareholders' Information

Auditors
Arthur Andersen LLP
Washington, D.C.

Shareholders' Information
Shareholder requests for information or assistance, please write or call our corporate office.

Danaher Corporation
c/o Investor Relations
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Washington, D.C. 20037
(202) 828-0850

Internet Address
http://www.danaher.com

Stock Listing
Symbol: DHR
New York and Pacific Stock Exchanges

Transfer Agent
ChaseMellon Shareholder Services, LLC
Pittsburgh, Pennsylvania

Form 10-K
A copy of the Annual Report to the Securities and Exchange Commission on Form 10-K may be obtained by writing to Danaher Corporation.

Market Prices of Common Stock

	1997		1996	
	High	Low	High	Low
First Quarter	**50**	**41⅝**	37¼	29½
Second Quarter	**51⅞**	**39⅝**	43½	36⅛
Third Quarter	**58 7/16**	**49 13/16**	43⅛	36⅛
Fourth Quarter	**63¾**	**53 7/16**	46⅝	40½

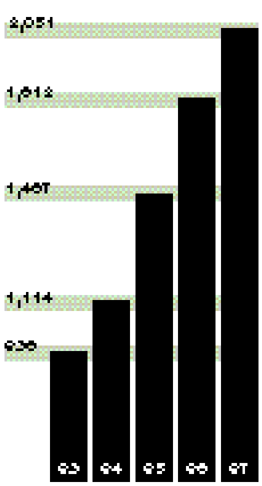
High and low per share data are as quoted on the New York Stock Exchange.

Financial Highlights

(000's omitted, except per share data and number of associates)	**1997**	1996
Operations:		
Net sales	**$2,050,968**	$1,811,878
Operating profit	**266,885**	226,136
Net earnings from continuing operations	**154,806**	127,959
Net earnings	**154,806**	207,770*
Earnings per common share (diluted):		
From continuing operations	**2.57**	2.13
Net earnings	**2.57**	3.47*
Depreciation expense	**52,342**	48,168
Capital expenditures, net	**62,808**	51,255
Number of associates	**13,200**	11,600
Financial Position at Year-end:		
Total assets	**1,879,717**	1,765,074
Total debt	**198,247**	236,327
Stockholders' equity	**916,881**	800,261
Total debt as a percent of total capitalization	**18%**	23%
Return on equity	**18.0%**	18.4%
Book value per share	**15.68**	13.59

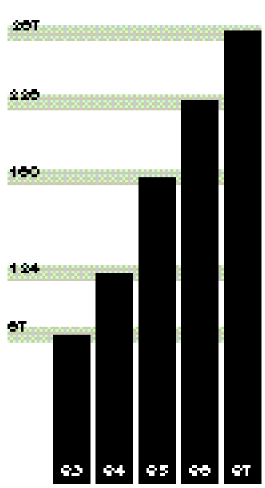
***Includes gain of $79.8 million, or $1.33 per share, on sale of Fayette Tubular Products subsidiary**

Net Sales
(dollars in millions)



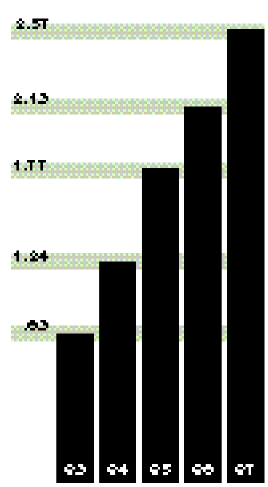
19% compounded
annual growth rate

Operating Profit
(dollars in millions)



35% compounded
annual growth rate

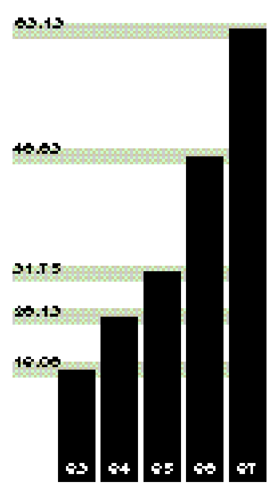
Earnings Per Share*
(in dollars)



37% compounded
annual growth rate

***From continuing operations**

Year-end Market
Price of Stock **(in dollars)**



37% compounded
annual growth rate

To Our Shareholders

From an idea born more than a decade ago on a remote river in Montana, the Danaher Corporation has evolved into a company with more than $2 billion in annual sales and 13,200 associates around the world. Like the river for which we are named, we remain "swift flowing." During the last decade, our sales have quadrupled, and our earnings per share have grown sixfold. Danaher is intensely focused on goals and objectives: above-average growth with reduced cyclicality, top-quartile financial performance and superior shareholder value. Our shareholders have been rewarded as Danaher's stock has appreciated over the past ten years at a 31% compounded annual growth rate. An investment of $100 in Danaher stock on December 31, 1987, with dividends reinvested, was worth $1,405 on December 31, 1997, as compared to $424 for a comparable investment in the S&P 500.

1997 Performance During 1997, Danaher's sales grew to $2.05 billion, 13% above last year's record performance. Comparable company sales increased 6% after a 1% negative currency effect, while acquisitions accounted for 7% of our sales growth. Gross margin improved 1% in 1997, following a 1.5% improvement last year, and allowed us to continue increasing investments in marketing and research and development while improving profitability. Both 1997 earnings and earnings per share for continuing operations were up 21% over our record performance in 1996. Operating cash flow increased $61.3 million to a record $278.4 million. Our debt to total capital at year-end was 18%, which provides flexibility to pursue strategic acquisitions while retaining financial strength.

Growth Danaher's business segments, Tools and Components and Process/Environmental Controls, continue to grow faster than the industries in which we participate. We plan to keep exceeding industry growth rates in our existing businesses, to accelerate international growth and to expand through acquisitions. Our corporate plans, which are geared for sustainable competitive advantage, have evolved into four strategic platforms that offer higher growth opportunities: environmental products and services; power quality and reliability; instruments, sensors and controls; and hand tools and related products. In addition, we will continue our focus on high-share global niche businesses. New products will remain a key factor in accelerating growth. In 1997, our sales outside the United States, including both exports and direct sales abroad, reached $487 million, 25% above the prior year, and now constitute 24% of total sales.

Like the river for which we are named, the Danaher Corporation remains "swift flowing."

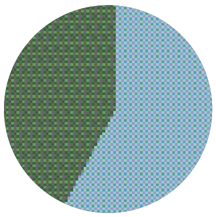
George M. Sherman

President and Chief Executive Officer

Acquisitions During 1997, three acquisitions were completed. These acquisitions added approximately $130 million in sales on an annualized basis to our strategic growth platforms. The hand tool companies which we acquired, with facilities in China and Taiwan, provide a manufacturing base from which we can accelerate our growth in select international markets. Current Technology brought new strength to our power quality and reliability platform, and Gems Sensors, a leading global manufacturer of level, flow and pressure sensors, fits well with our instruments, sensors and controls platform. All of these companies have high-growth profiles and complement our existing product lines.

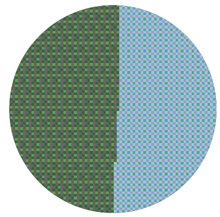
In February 1998, we reached an agreement to acquire the Pacific Scientific Company, an international business that designs, manufactures and markets motion control, process control and safety equipment. This acquisition represents an attractive strategic opportunity for our Process/Environmental Controls Business Segment.

Danaher Business Segments



1997 Sales

- Tools and Components **58%**
- Process/Environmental Controls **42%**



1997 Operating Profit

- Tools and Components **51%**
- Process/Environmental Controls **49%**

Tools and Components The Tools and Components Business Segment manufactures and distributes a broad range of hand tools, tool holders, storage containers, hardware, wheel service equipment, fasteners and components for consumer, industrial and professional markets. Products are sold through retail channels; independent mobile tool distributors; industrial, utility and agricultural distributors; and original equipment manufacturers. Typical hand tool customers range from do-it-yourselfers and professional/industrial end-users to automotive mechanics. Component customers, generally OEMs, include portable drill and heavy-duty diesel engine manufacturers. Products from the Tools and Components Business Segment are marketed under well-recognized brand names, including Allen™, Ammco®, Armstrong®, Coats®, Sears Craftsman®, Delta®, Holo-Krome®, Jacobs®, Jake Brake®, Joslyn, K-D®, Matco®, NAPA® and SATA.

Process/Environmental Controls The Process/Environmental Controls Business Segment produces a broad range of monitoring, sensing, controlling, measuring, counting, electrical power quality and telecommunications products, systems, instruments and components. A major growth area and focus is environmental products. These products include underground petroleum storage tank inventory control and leak detection systems, plus water and air quality monitoring devices. The segment's business lines include American Sigma, Anderson Instruments, Clark Controls, Communication Technology, Current Technology, Cyberex, Danaher Controls, Dolan-Jenner, EIT, Gems Sensors, Hengstler, A.L. Hyde, Jennings Technology, Joslyn Electronic Systems, Joslyn Hi-Voltage, Joslyn Sunbank, KACO, Kistler-Morse, McCrometer, M&M Precision Systems, Namco Controls, Partlow, Qualitrol, TxPort, Veeder-Root, Warrick and West.

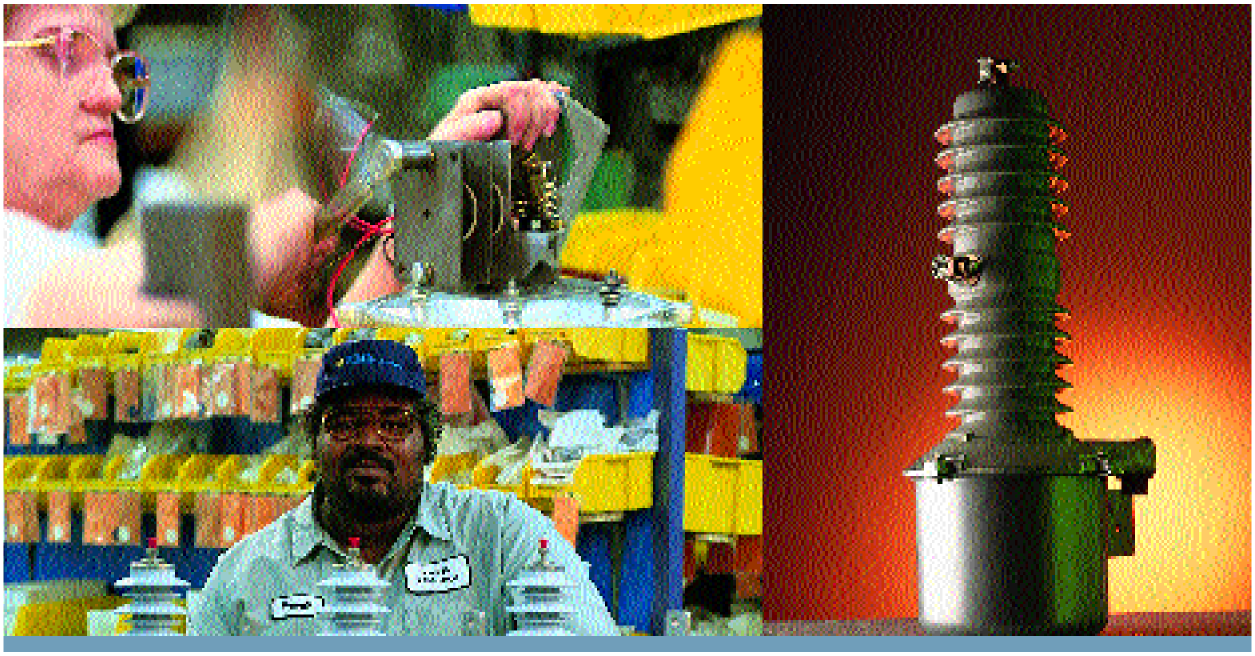
Ensuring Future Growth

More than a decade ago, the Danaher River inspired a company to respond swiftly to changing environments and to maximize opportunities for future growth. The results in 1997, again, set new records.

Past successes give us comfort, but our challenge is to do even better in the future. Performance will benefit from the management philosophy which links all of our associates together. The Danaher Business System's goal is to achieve world-class excellence in customer satisfaction. The system begins with the voice of the customer and then continuously strives to improve quality, delivery and cost. All associates are drawn into the process and are provided with the tools needed to achieve specific business objectives.

Our record 1997 results came not from one single project but, rather, from a multitude of efforts. New products continue to stimulate markets thought to be mature. Process improvements are leveraged as good ideas are shared among associates throughout the company. The three examples which we have included in this annual report are representative of the many stories which, in total, have built a sustainable competitive advantage for Danaher.

A Revitalized Company The Joslyn Hi-Voltage Corporation joined the Danaher family in 1995. Joslyn Hi-Voltage is a leading manufacturer of high-voltage switches, including advanced electronic controls with a power quality focus for electric utilities worldwide. Strategic products include VerSaVac® and Varmaster®, for high-voltage capacitor switching, and Transmaster™, for switching steel producer's electric arc furnaces. Products designed to minimize power outages feature JVR™ auto-recloser, VBM™ sectionalizer and FasTran™ auto-transfer switches. When acquired, Joslyn Hi-Voltage had a well-established, global electric utility market position but was not growth oriented. Management quickly embraced the powerful tools of the Danaher Business System (DBS). The focus was immediately redirected to quality, delivery and cost with a target to exceed customer expectations and achieve double-digit sales growth.



At the Joslyn Hi-Voltage facility in Cleveland, Ohio, manufacturing associates produce new products, such as VerSaVac, with reduced development cycles, improved quality and less waste. The Danaher Business System is now a way of life.

VerSaVac, built in Cleveland, Ohio, was the initial focus. Combining DBS with an eager team of associates, the manufacturing system was reconfigured into single-piece flow work cells, and the operations capacity was nearly tripled to meet the 50% annual growth rate experienced for the past two consecutive years. Manufacturing floor space and part travel distance were reduced more than 80%. A product that had once taken weeks to build was now reduced to a few hours.

Joslyn Hi-Voltage had an outstanding quality reputation; however, opportunities for improvement were evident. Quality became the company's top priority. Using the DBS tools of fact-based management and problem solving, quality metrics have improved 50% in each of the last two years.

Delivery lead times for VerSaVac were reduced more than 60%. Customers have recognized the improvements at Joslyn Hi-Voltage with an increasing level of confidence that its premium quality products would be delivered when needed.

Cost improvements were significant and remain a focus to meet growing global demands. DBS efficiency is readily apparent by the elimination of the central stockroom. Raw materials have been repositioned to point of use, and KanBan material control principles have been employed to ensure material flow and elimination of waste. Joslyn Hi-Voltage's overall plant space requirements have been reduced 35% in the midst of double-digit annual growth. VerSaVac inventory turns increased a factor of four, while plantwide inventory turns doubled.

Simultaneous with these internal developments, deregulation of domestic electric utilities and the growing electrification of developing countries present new, dynamic market opportunities and challenges. International growth, combined with Danaher's marketing and Business System excellence, has transformed a successful low-growth company into a growth engine focused on the future.

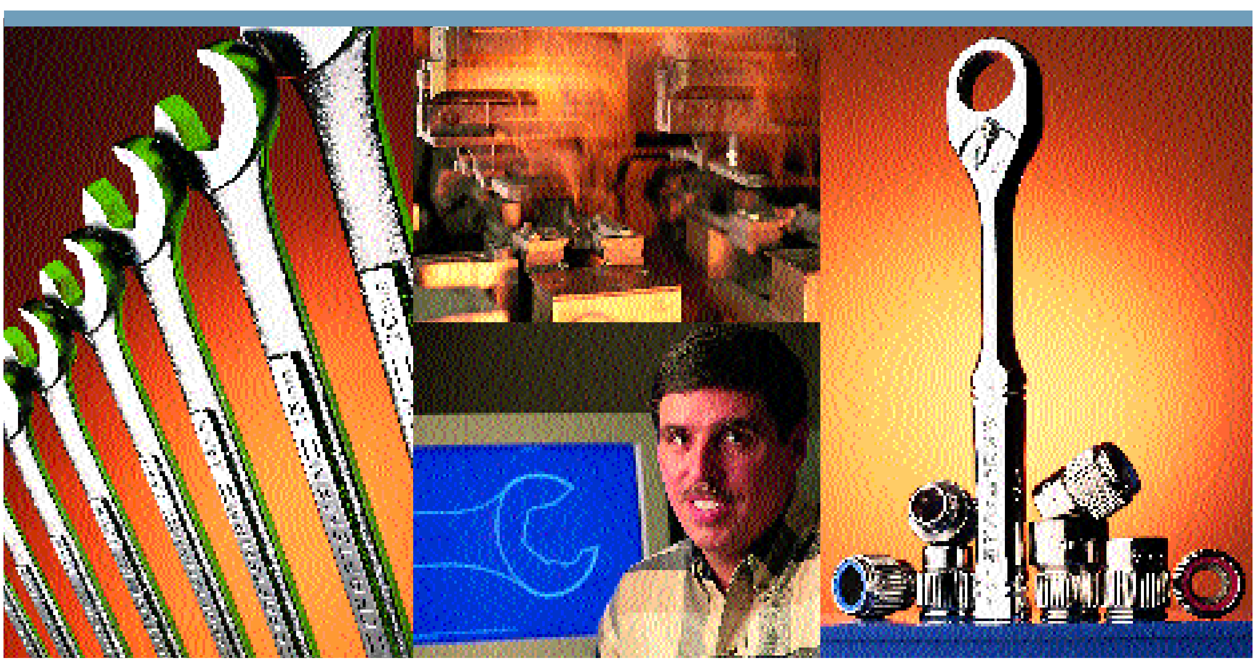
Growth in a Mature Industry Since 1992, the Danaher Hand Tool Group has grown more than twice as fast as the industry growth rate. The group, with a leading share position in mechanics hand tools, is consistently working to revamp its extensive product line. Cross-functional teams involving Sales, Marketing, Engineering and Manufacturing associates work with customers and end-users to identify product innovations. These breakthrough products are designed to provide greater productivity and convenience for the end-user.

The teams work carefully to understand and translate customer requirements into key product features and benefits. Once these targeted needs have been identified and design parameters established, the team quickly brings these products to market. Two recent examples include the Quick Wrench™, introduced under the Craftsman brand at Sears, and the Eliminator™ Ratcheting System, introduced into the industrial channel of distribution under the Armstrong brand.

The Armstrong Eliminator Ratcheting System was developed in conjunction with professional users and distributors. Our team of product managers and engineers designed a ratchet that eliminated the drive square, a necessary component in traditional ratchets. The new design eliminated that part of the tool most prone to failure and produced a ratcheting system that provides 40% greater strength. The Eliminator is 50% slimmer and provides twice the life of existing ratchets on the market today. Feedback from industrial distributors has been extremely positive, and initial sales have tripled our most optimistic expectation.

The Quick Wrench product line is an example of the impact that new products can have on share and sales growth. The Quick Wrench was developed in partnership with Sears and launched during the fourth quarter of 1997. This new product provides the user with increased speed, convenience and torque due to its longer size and open-end geometry. Supported by an extensive program of national television advertising and in-store merchandising, Christmas

The Danaher Hand Tools Group continues to reinvent itself. New products, including the Quick Wrench and the Armstrong Eliminator Ratcheting System, have resulted in incremental sales growth. Associates at the Springdale, Arkansas, facility have significantly improved quality, delivery and cost in 1997.

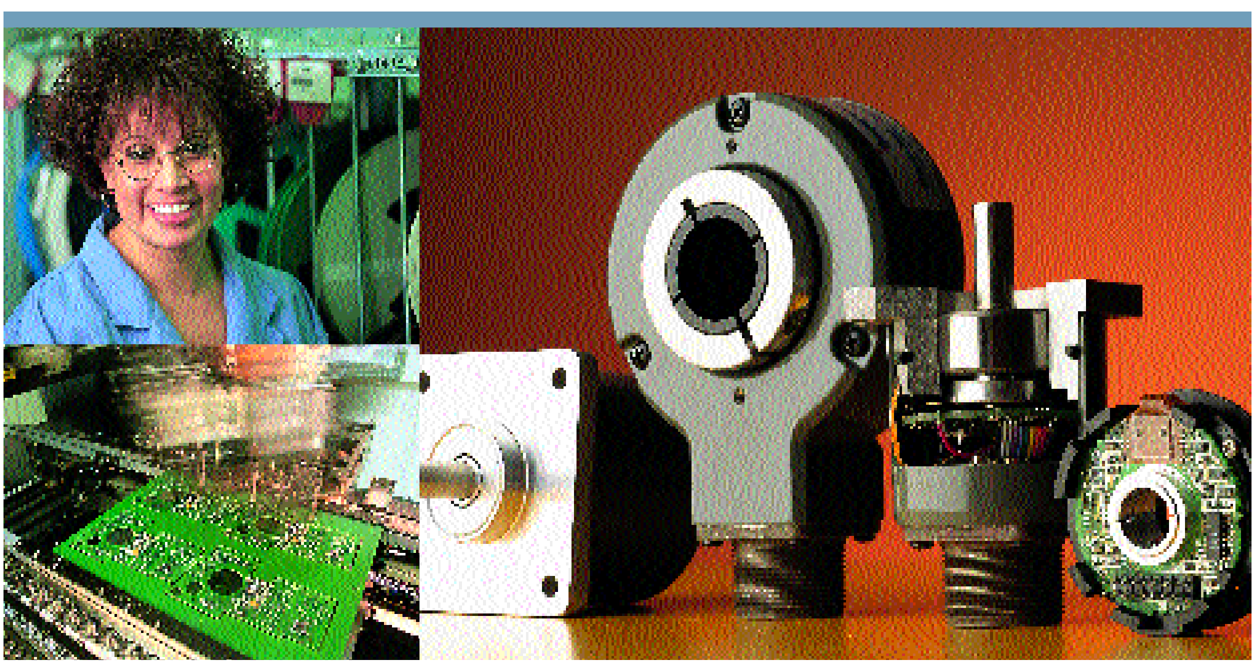


season sell-through exceeded our expectations by 50%. Based on this success, current sales projections suggest the Quick Wrench will generate a substantial increase in revenue and profit growth for our customer.

The Quick Wrench is produced in our Springdale, Arkansas, facility, the world's largest manufacturer of wrenches. Through the use of the Danaher Business System, Springdale not only executed the launch on time, but continued to improve all internal measurements of business performance as well. Specifically, over the past two years, safety within the facility has improved by 50%, and product quality, as measured by defective parts per million, improved by 48%. Delivery performance above 98% is the best in the industry, and the plant was able to deliver 50% more Quick Wrenches than our initial expectation for the fourth quarter of 1997. Capital investments have been made to meet growing customer demand and to develop and implement proprietary technology which will ensure product and process leadership well into the next century.

Growth through Global Product Development Our acquisition of the German company Hengstler, in late 1994, with its strong sales and distribution position in Europe, provided us with an excellent opportunity to penetrate the rapidly growing global encoder market. Encoders are highly accurate position and motion sensors which are used for a wide variety of industrial applications, including elevators, materials handling, packaging and motors. Danaher already had an established position in the North American encoder market through its Danaher Controls business. Working together, these two businesses analyzed the worldwide market and crafted a global product-development plan and priority list. Individual engineering centers of excellence worked on projects to meet global market needs, which eliminated the redundant engineering effort typical of a domestic-only focus.

Global coordination of new products allows our instruments and controls business to leverage good ideas around the world. Associates in Gurnee, Illinois, produce encoders which have benefited from ideas originated in Germany.



Several major product lines were introduced on a global basis. Capital equipment machinery was deployed more efficiently, resulting in 20% lower expenditures. Designs were significantly improved as the Danaher Controls and Hengstler team shared existing concepts, process technology and new ideas. These new designs had fewer parts, were easier to manufacture and cost less than previous models. Customer satisfaction increased because lead times, which had been weeks long, were now reduced to days. Hengstler's quality improved as its internal product defect rate was reduced by 58%.

The new encoder products have been highly successful in the global market. Within 18 months, five important, new product lines have been introduced, offering innovative features and reduced costs for customers. Sales growth was four times the market growth rate. Global customers were won, and key accounts were gained in new market segments.

As is the case with all Danaher products, an important element in the encoders' success was the Danaher Business System (DBS). Focused on customer satisfaction, DBS was key to developing a superior manufacturing process for encoders. All production of the new encoders takes place in a cell environment with single-piece flow. For products produced at Hengstler and Danaher Controls, identical cells are used, thereby providing greater production flexibility. KanBan is used to minimize inventory and provide a simple visual system for monitoring materials and interfacing with suppliers. Finished stocks have been completely eliminated due to the ability to produce locally, utilizing identical manufacturing processes worldwide. Hengstler, alone, has reduced inventory by 40% since the acquisition.

Using the DBS approach, impressive and similar results have also been attained for other Hengstler and Danaher Controls product lines.

Selected Financial Data

(000's omitted except per share data)	1997	1996	1995	1994	1993
Sales	**$2,050,968**	$1,811,878	$1,486,769	$1,113,973	$937,633
Operating profit	**266,885**	226,136	180,257	124,427	87,058
Earnings from continuing operations	**154,806**	127,959	105,766	72,319	48,030
Per share					
Diluted	**2.57**	2.13	1.77	1.24	0.83
Basic	**2.63**	2.18	1.80	1.26	0.84
Discontinued operations	**—**	79,811	2,550	9,331	5,719
Per share					
Diluted	**—**	1.33	0.04	0.16	0.10
Basic	**—**	1.36	0.04	0.16	0.10
Earnings before cumulative effect of accounting change	**154,806**	207,770	108,316	81,650	53,749
Per share					
Diluted	**2.57**	3.47	1.81	1.40	0.93
Basic	**2.63**	3.54	1.85	1.42	0.94
Cumulative effect of accounting change*	**—**	—	—	—	(36,000)
Per share*					
Diluted	**—**	—	—	—	(0.62)
Basic	**—**	—	—	—	(0.63)
Net earnings	**154,806**	207,770	108,316	81,650	17,749
Earnings per common share					
Diluted	**2.57**	3.47	1.81	1.40	0.31
Basic	**2.63**	3.54	1.85	1.42	0.31
Dividends declared	**5,887**	5,360	4,672	3,710	3,412
Dividends per share	**0.10**	0.09	0.08	0.07	0.06
Total assets	**1,879,717**	1,765,074	1,485,991	1,105,645	872,472
Total debt	**198,247**	236,327	283,587	185,286	133,585

***Adoption of accrual method specified by SFAS No. 106 for post retirement benefits.**

Results of Operations Danaher Corporation (the "Company") operates a variety of businesses through its wholly-owned subsidiaries. These businesses are conducted in two business segments: Tools and Components and Process/Environmental Controls. In Tools and Components, the Company is the principal manufacturer of Sears, Roebuck and Co.'s Craftsman® line, National Automotive Parts Association (NAPA®) line, K-D® automotive line, and the Matco®, Armstrong® and Allen™ lines of mechanics' hand tools. The Company also manufactures Allen™ wrenches, Jacobs® drill chucks and diesel engine retarders, Delta® storage containers and Coats® and Ammco® wheel service equipment. In its Process/Environmental Controls segment, the Company is a leading producer of leak detection sensors for underground fuel storage tanks and motion, position, temperature, pressure, level, flow and power reliability and quality control devices.

Presented below is a summary of sales by business segment (000's omitted).

	1997		1996		1995	
	$	**%**	$	%	$	%
Tools and Components	**1,192,761**	**58.2**	1,103,443	60.9	1,005,005	67.6
Process/Environmental Controls	**858,207**	**41.8**	708,435	39.1	481,764	32.4
	2,050,968	**100.0**	1,811,878	100.0	1,486,769	100.0

Tools and Components The Tools and Components segment is comprised of the Danaher Hand Tool Group (including Special Markets, Asian Tools and Professional Tools divisions), Matco Tools, Jacobs Chuck Manufacturing Company, Delta Consolidated Industries, Jacobs Vehicle Systems, Hennessy Industries and the hardware and electrical apparatus lines of Joslyn Manufacturing Company ("JMC"). This segment is one of the largest domestic producers and distributors of general purpose and specialty mechanics' hand tools. Other products manufactured by these companies include tool boxes and storage devices, diesel engine retarders, wheel service equipment, drill chucks, custom designed headed tools and components, hardware and components for the power generation and transmission industries, high quality precision socket screws, fasteners, and high quality miniature precision parts.

1997 Compared to 1996 Sales in 1997 were 8% higher than in 1996. An acquisition in the first quarter of 1997 accounted for 3%, price increases provided less than 1% and higher shipment volume provided 5%. Demand for drill chucks and diesel engine retarders was particularly strong in 1997. Operating margins increased from 11.6% to 12.1%, reflecting increased fixed cost leverage as well as continued process improvements in manufacturing operations.

1996 Compared to 1995 Sales in this segment increased 10% from 1995. Of this increase, acquisitions accounted for approximately 5%, higher unit volumes accounted for approximately 5% and increased average pricing accounted for less than 1%. Sales levels were benefitted by particularly strong demand in the mobile tool distribution and storage device areas, offset somewhat by decreased demand for diesel engine retarders as North American and Asian heavy truck production decreased in 1996. Operating margins increased from 11.2% to 11.6%. This margin increase reflects the benefits of the higher sales volumes and continued manufacturing process improvements, offset by the full year effect of the lesser margins associated with the hardware and electrical apparatus lines of JMC.

Process/Environmental Controls The Process/Environmental Controls segment includes the Veeder-Root Company, Danaher Controls, Partlow, Anderson Instruments, West Instruments, Ltd., QualiTROL Corporation, A.L. Hyde Company, Hengstler, American Sigma, the controls product line business units of Joslyn Corporation, the operating businesses of Acme-Cleveland Corporation (Namco Controls, Dolan-Jenner, M&M Precision Systems, TxPort, Inc., Communications Technology Corporation) and Current Technology, Inc. and Gems Sensors, Inc., both acquired in 1997. These companies produce and sell underground storage tank leak detection systems and temperature, level, motion and position sensing devices, power switches and controls, communication line products, power protection products, liquid flow measuring devices, telecommunication products, quality assurance products and systems, and electronic and mechanical counting and controlling devices. These products are distributed by the Company's sales personnel and independent representatives to original equipment manufacturers, distributors and other end users.

Consolidated Statements of Earnings

(in thousands of dollars, except share and per share data)

Year Ended December 31,	**1997**	1996	1995
Sales	**$ 2,050,968**	$ 1,811,878	$ 1,486,769
Cost of sales	**1,382,475**	1,239,846	1,039,622
Selling, general and administrative expenses	**401,608**	345,896	266,890
Total operating expenses	**1,784,083**	1,585,742	1,306,512
Operating profit	**266,885**	226,136	180,257
Interest expense	**13,104**	16,376	7,198
Earnings from continuing operations before income taxes	**253,781**	209,760	173,059
Income taxes	**98,975**	81,801	67,293
Earnings from continuing operations	**154,806**	127,959	105,766
Discontinued operations, net of income taxes of $0 and $1,630 (1996—gain on sale; 1995—earnings from operations)	**—**	79,811	2,550
Net earnings	**$ 154,806**	$ 207,770	$ 108,316
Basic earnings per share:			
Continuing operations	**$2.63**	$2.18	$1.80
Discontinued operations	**—**	1.36	.04
Net earnings	**$2.63**	$3.54	$1.85
Average shares outstanding	**58,769,164**	58,623,470	58,661,849
Diluted earnings per share:			
Continuing operations	**$2.57**	$2.13	$1.77
Discontinued operations	**—**	1.33	.04
Net earnings	**$2.57**	$3.47	$1.81
Average common stock and common equivalent shares outstanding	**60,256,475**	59,954,636	59,862,673

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

Consolidated Balance Sheets

(in thousands of dollars)

As of December 31,	1997	1996
Assets		
Current assets:		
Cash and equivalents	**$ 33,317**	$ 26,444
Trade accounts receivable, less allowance for doubtful accounts of $18,510 and $14,868	**322,600**	266,668
Inventories	**209,416**	204,236
Prepaid expenses and other	**53,006**	49,393
Total current assets	**618,339**	546,741
Property, plant and equipment, net	**335,223**	319,606
Other assets	**72,739**	105,903
Excess of cost over net assets of acquired companies, less accumulated amortization of $116,357 and $92,583	**853,416**	792,824
	$1,879,717	$1,765,074
Liabilities and Stockholders' Equity		
Current liabilities:		
Notes payable and current portion of debt	**$ 35,527**	$ 16,757
Trade accounts payable	**135,190**	110,194
Accrued expenses	**353,518**	347,622
Total current liabilities	**524,235**	474,573
Other liabilities	**275,881**	270,670
Long-term debt	**162,720**	219,570
Stockholders' equity:		
Common stock, one cent par value; 125,000,000 shares authorized; 64,275,868 and 64,186,673 issued; 58,478,262 and 58,889,067 outstanding	**643**	642
Additional paid-in capital	**336,109**	333,587
Cumulative foreign translation adjustment and other	**(6,122)**	8,858
Retained earnings	**655,692**	506,773
Treasury stock, at cost; 5,797,606 and 5,297,606 shares	**(69,441)**	(49,599)
Total stockholders' equity	**916,881**	800,261
	$1,879,717	$1,765,074

The accompanying Notes to Consolidated Financial Statements are an integral part of these balance sheets.

Consolidated Statements of Cash Flows

(in thousands of dollars)

Year Ended December 31,	**1997**	1996	1995
Cash flows from operating activities			
Earnings from continuing operations	**$ 154,806**	$ 127,959	$ 105,766
Earnings from discontinued operations	**—**	—	2,550
Depreciation and amortization	**76,116**	68,626	58,527
Increase in accounts receivable	**(46,175)**	(11,818)	(20,098)
(Increase) decrease in inventories	**14,691**	38,866	(15,589)
Increase in accounts payable	**19,579**	10,385	626
Change in other assets and liabilities	**59,355**	(16,904)	42,374
Total operating cash flows	**278,372**	217,114	174,156
Cash flows from investing activities:			
Payments for additions to property, plant and equipment, net	**(62,808)**	(51,255)	(59,172)
Sale of Fayette Tubular Products	**—**	155,000	—
Net cash paid for acquisitions	**(147,238)**	(246,427)	(207,941)
Net cash used in investing activities	**(210,046)**	(142,682)	(267,113)
Cash flows from financing activities:			
Proceeds from issuance of common stock	**2,523**	9,507	3,559
Dividends paid	**(5,887)**	(5,065)	(4,672)
Borrowings (repayments) of debt	**(38,080)**	(48,407)	98,301
Purchase of common stock	**(19,842)**	(12,110)	—
Net cash provided by (used in) financing activities	**(61,286)**	(56,075)	97,188
Effect of exchange rate changes on cash	**(167)**	149	108
Net change in cash and equivalents	**6,873**	18,506	4,339
Beginning balance of cash and equivalents	**26,444**	7,938	3,599
Ending balance of cash and equivalents	**$ 33,317**	$ 26,444	$ 7,938
Supplemental disclosures:			
Cash interest payments	**$ 13,666**	$ 16,981	$ 13,699
Cash income tax payments	**$ 66,588**	$ 80,152	$ 69,853
Common stock issued for acquisitions	**$ —**	$ 8,883	$ —

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

Consolidated Statements of Stockholders' Equity

(in thousands of dollars)

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Cumulative Foreign Translation Adjustment and Other
Balance, December 31, 1994	63,198,208	$632	$ 311,648	$ 200,719	$(37,489)	$ 590
Net earnings for the year	—	—	—	108,316	—	—
Dividends declared	—	—	—	(4,672)	—	—
Common stock issued for options exercised	208,006	2	3,557	—	—	—
Increase from translation of foreign financial statements	—	—	—	—	—	3,008
Balance, December 31, 1995	63,406,214	634	315,205	304,363	(37,489)	3,598
Net earnings for the year	—	—	—	207,770	—	—
Dividends declared	—	—	—	(5,360)	—	—
Common stock issued for options exercised	483,233	5	9,502	—	—	—
Purchase of common stock	—	—	—	—	(12,110)	—
Unrealized gain on securities held	—	—	—	—	—	4,000
Common stock issued for acquisitions	297,226	3	8,880	—	—	—
Increase from translation of foreign financial statements	—	—	—	—	—	1,260
Balance, December 31, 1996	64,186,673	642	333,587	506,773	(49,599)	8,858
Net earnings for the year	—	—	—	154,806	—	—
Dividends declared	—	—	—	(5,887)	—	—
Common stock issued for options exercised	89,195	1	2,522	—	—	—
Purchase of common stock	—	—	—	—	(19,842)	—
Decrease from translation of foreign financial statements	—	—	—	—	—	(12,680)
Unrealized gain on securities held	—	—	—	—	—	1,700
Sale of securities held	—	—	—	—	—	(4,000)
Balance, December 31, 1997	**64,275,868**	**$643**	**$336,109**	**$655,692**	**$(69,441)**	**$(6,122)**

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

(1) Summary of Significant Accounting Policies:

Accounting Principles The consolidated financial statements include the accounts of the Company and its subsidiaries. The accounts of certain of the Company's foreign subsidiaries are included on the basis of a fiscal year ending November 30. This procedure was adopted to allow sufficient time to include these companies in the consolidated financial statements. All significant intercompany balances and transactions have been eliminated upon consolidation. Preparation of these consolidated financial statements necessarily includes the use of management's estimates.

Inventory Valuation Inventories include material, labor and overhead and are stated principally at the lower of cost or market using the last-in, first-out method (LIFO).

Property, Plant and Equipment Property, plant and equipment are carried at cost. The provision for depreciation has been computed principally by the straight-line method based on the estimated useful lives (3 to 35 years) of the depreciable assets.

Other Assets Other assets include principally deferred income taxes, equity securities, noncurrent trade receivables and capitalized costs associated with obtaining financings which are being amortized over the term of the related debt. Available for sale equity securities have been shown at their fair market value.

Fair Value of Financial Instruments For cash and equivalents, the carrying amount is a reasonable estimate of fair value. For long-term debt, rates available for debt with similar terms and remaining maturities are used to estimate the fair value of existing debt.

Excess of Cost Over Net Assets of Acquired Companies
This asset is being amortized on a straight-line basis over forty years. $23,774,000, $20,458,000 and $14,482,000 of amortization was charged to expense for the years ended December 31, 1997, 1996 and 1995, respectively. When events and circumstances so indicate, all long-term assets, including the Excess of Cost Over Net Assets of Acquired Companies, are assessed for recoverability based upon cash flow forecasts. Should an impairment exist, fair value estimates would be determined based on the cash flow forecasts, discounted at a market rate of interest.

Foreign Currency Translation Exchange adjustments resulting from foreign currency transactions are generally recognized in net earnings, whereas adjustments resulting from the translation of financial statements are reflected as a separate component of stockholders' equity. Net foreign currency transaction gains or losses are not material in any of the years presented.

Statements of Cash Flows The Company considers all highly liquid investments with a maturity of three months or less at date of purchase to be cash equivalents.

Income Taxes The Company provides income taxes for unremitted earnings of foreign subsidiaries which are not considered permanently reinvested in that operation.

Earnings Per Share The computation of diluted earnings per share is based on the weighted average number of common shares and common stock equivalents outstanding during the year.

Discontinued Operations In January, 1996, the Fayette Tubular Products subsidiary was sold for approximately $155 million. A gain of approximately $80 million was recognized in 1996. Net sales for Fayette were $155 million in 1995.

Comprehensive Income The total of net income and all other nonowner changes in equity consists of:

Year Ended December 31,	**1997**	**1996**	**1995**
Net Income	**$154,806**	$207,770	$108,316
Other Comprehensive Income:			
Currency Translation	**(12,680)**	1,260	3,008
Unrealized gains on securities:			
Arising during year	**1,700**	4,000	—
Included in net income	**(3,500)**	—	—
	(14,480)	5,260	3,008
Comprehensive Income	**$140,326**	$213,030	$111,324

(2) Acquisitions:

The Company obtained control of Acme-Cleveland Corporation (Acme) as of July 2, 1996. Total consideration for Acme was approximately $200 million. The fair value of assets acquired was approximately $240 million, including $140 million of excess cost over net assets acquired, and approximately $40 million of liabilities were assumed. The transaction was accounted for as a purchase.

The unaudited pro forma information for the period set forth below gives effect to this transaction as if it had occurred at the beginning of the period. The pro forma information is presented for informational purposes only and is not necessarily indicative of the results of operations that actually would have been achieved had the acquisition been consummated as of that time (unaudited, 000's omitted):

Year Ended	**December 31, 1996**
Net Sales	**$1,885,700**
Net Earnings from continuing operations	**129,197**
Earnings per share from continuing operations (diluted)	**$ 2.15**

The Company obtained control of Joslyn Corporation (Joslyn) as of September 1, 1995 when Joslyn's shareholders tendered approximately 75% of the outstanding shares to the Company for $34 per share in cash. The remaining 25% was acquired in October, 1995. Total consideration for Joslyn was approximately $245 million. The fair value of assets acquired was approximately $345 million, including $180 million of excess of cost over net assets acquired, and approximately $100 million of liabilities were assumed. The transaction was accounted for as a step acquisition purchase. Results of operations reflect a minority interest elimination for the two-month period between the change in control and the merger of Joslyn.

In 1997, the Company acquired Gems Sensors and Current Technology and several other entities. Aggregate consideration for these transactions was approximately $147 million. The fair value of the assets acquired was approximately $167 million and approximately $20 million of liabilities were assumed in the acquisitions. The transactions have been accounted for as purchases. These acquisitions had no significant impact on 1997 results of operations. These entities have combined annual sales levels of approximately $130 million.

(3) Inventory:

The major classes of inventory are summarized as follows (000's omitted):

	December 31, 1997	**December 31, 1996**
Finished goods	**$ 82,451**	$ 88,083
Work in process	**54,544**	49,681
Raw material	**72,421**	66,472
	$209,416	$204,236

If the first-in, first-out (FIFO) method had been used for inventories valued at LIFO cost, such inventories would have been $8,940,000 and $10,959,000 higher at December 31, 1997 and 1996, respectively.

(4) Property, Plant and Equipment:

The major classes of property, plant and equipment are summarized as follows (000's omitted):

	December 31, 1997	**December 31, 1996**
Land and improvements	**$ 19,369**	$ 17,457
Buildings	**112,629**	107,343
Machinery and equipment	**466,452**	413,636
	598,450	538,436
Less accumulated depreciation	**(263,227)**	(218,830)
Property, plant and equipment	**$ 335,223**	$ 319,606

(5) Financing:

Financing consists of the following (000's omitted):

	December 31, 1997	**December 31, 1996**
Notes payable	**$ 85,900**	$100,600
Other	**112,347**	135,727
	198,247	236,327
Less-currently payable	**35,527**	16,757
	$162,720	$219,570

The Notes had an original average life of approximately 6.5 years and an average interest cost of 7.2%. Principal amortization began in December 1995 and continues through April 2003. The estimated fair value of the Notes was approximately equal to their carrying value as of December 31, 1997 and 1996.

Other includes principally short-term borrowings under uncommitted lines of credit which are payable upon demand. The carrying amount approximates fair value. The Company has a bank credit facility which provides revolving credit through September 30, 2001, of up to $250 million. The Company has complied with covenants relating to maintenance of working capital, net worth, debt levels, interest coverage, and payment of dividends applicable to the Notes and the revolving credit facility. The facility provides funds for general corporate purposes at an interest rate of LIBOR plus .125%. Weighted average borrowings under the bank facility were $-0-, $-0- and $5,000,000 for the years ended December 31, 1997, 1996 and 1995, respectively. Maximum amounts outstanding for these years were $-0-, $-0- and $60,000,000, respectively. The Company is charged a fee of .075% per annum for the facility. Commitment and facility fees of $187,500, $234,000 and $216,000 were incurred in 1997, 1996 and 1995, respectively. Interest expense of $7,150,000 is included in discontinued operations for the year ended December 31, 1995. The weighted average interest rate for short-term borrowings was 5.9%, 5.8% and 6.0% for each of the three years ended December 31, 1997.

Other debt is classified as noncurrent as management intends to refinance it and the bank credit facility provides the ability to refinance maturities to September 30, 2001.

The minimum principal payments during the next five years are as follows: 1998–$35,527,000; 1999–$43,010,000; 2000–$202,000; 2001–$88,900,000; 2002–$225,000 and $30,383,000 thereafter.

(6) Accrued Expenses and Other Liabilities:
Selected accrued expenses and other liabilities include the following (000's omitted):

	December 31, 1997		December 31, 1996	
	Current	Noncurrent	Current	Noncurrent
Employee compensation	**$44,908**	**$35,284**	$43,380	$34,022
Insurance, including self insurance	**7,867**	**58,160**	9,992	48,372
Post retirement benefits	**5,000**	**75,553**	5,000	71,819
Environmental compliance	**27,729**	**49,296**	29,725	52,866

Approximately $17 million of accrued expenses and other liabilities were guaranteed by bank letters of credit.

(7) Pension and Employee Benefit Plans:
The Company has noncontributory defined benefit pension plans which cover certain of its domestic hourly employees. Benefit accruals under most of these plans have ceased, and pension expense for defined benefit plans is not significant for any of the periods presented. It is the Company's policy to fund, at a minimum, amounts required by the Internal Revenue Service.

The following sets forth the funded status of the plans as of the most recent actuarial valuations (000's omitted):

	1997	1996	
	Assets Exceed Accumulated Benefits	Assets Exceed Accumulated Benefits	Accumulated Benefits Exceed Assets
Actuarial present value of benefit obligations:			
Vested benefit obligation	**$131,578**	$ 56,216	$55,587
Accumulated benefit obligation	**136,087**	57,637	58,371
Projected benefit obligation	**136,087**	57,650	58,371
Fair value of plan assets (consisting of stocks, bonds and temporary cash investments)	**166,743**	79,226	55,040
Projected benefit obligation (in excess of) or less than plan assets	**30,656**	21,576	(3,331)
Unrecognized net (gain) loss	**(22,927)**	(14,360)	4,257
Unrecognized net asset	**(1,359)**	(487)	(1,129)
Pension (liability) prepaid recognized in the balance sheet	**$ 6,370**	$ 6,729	$ (203)

The expected long-term rate of return on plan assets was 10%. The discount rate used in determining pension cost and benefit obligations was 7.5% at January 1, 1997 and 7.25% at December 31, 1997.

Substantially all employees not covered by defined benefit plans are covered by defined contribution plans which generally provide funding based on a percentage of compensation.

Pension expense for all plans amounted to $21,269,000, $16,754,000 and $11,870,000 for the years ended December 31, 1997, 1996 and 1995, respectively.

In addition to providing pension benefits, the Company provides certain health care and life insurance benefits for some of its retired employees. Certain employees may become eligible for these benefits as they reach normal retirement age while working for the Company.

Post retirement benefits cost included the following components (000's omitted):

	1997	1996	1995
Service cost	**$ 336**	$ 536	$ 298
Interest cost	**4,058**	4,295	4,734
	$4,394	$4,831	$5,032

The following sets forth the program's funded status (000's omitted):

	December 31, 1997	December 31, 1996
Accumulated Post Retirement Benefit Obligation (APBO):		
Retirees	**$61,123**	$52,387
Fully eligible active participants	**7,175**	10,563
Other active participants	**2,463**	9,243
Total APBO	**70,761**	72,193
Net Gains	**9,792**	4,626
Plan assets	**—**	—
Accrued Liability	**$80,553**	$76,819

A 10% annual rate of increase in per capita costs of covered health care benefits was assumed for 1998, decreasing to 6% by 2002. A 1% increase in the assumed cost trend assumption would increase the APBO by $6.4 million and would have increased 1997 costs by approximately $500,000. Discount rates of 7.25% and 7.50% were used to determine both Plan costs and the APBO as of December 31, 1997 and 1996, respectively.

(8) Stock Transactions:

The Company has adopted a non-qualified stock option plan for which it is authorized to grant options to purchase up to 5,000,000 shares. Under the plan, options are granted at not less than 85% of existing market prices, expire ten years from the date of grant and generally vest ratably over a five-year period. An option to acquire 1,000,000 shares was granted to a senior executive outside of the plan in 1990.

Changes in stock options were as follows:

	Number of Shares Under Option
Outstanding at December 31, 1994	3,401,102
Granted (average $30.71 per share)	383,300
Exercised (average $9.54 per share)	(208,006)
Cancelled	(136,520)
Outstanding at December 31, 1995 (average $14.23 per share)	3,439,876
Granted (average $37.61 per share)	887,100
Exercised (average $7.76 per share)	(483,233)
Cancelled	(188,508)
Outstanding at December 31, 1996 (average $20.35 per share)	3,655,235
Granted (average $49.56 per share)	1,601,900
Exercised (average $15.25 per share)	(89,195)
Cancelled	(104,700)
Outstanding at December 31, 1997 (at $5.94 to $60.19 per share, average $29.72 per share)	**5,063,240**

As of December 31, 1997, options with a weighted average remaining life of 4.6 years covering 2,357,086 shares were exercisable at $5.94 to $45.63 per share (average $15.20 per share) and options covering 1,452,000 shares remain available to be granted.

Options outstanding at December 31, 1997 are summarized below:

Nonqualified options have been issued only at fair market value exercise prices as of the date of grant during the periods presented herein, and the Company's policy does not recognize compensation costs for options of this type. Beginning in 1996, the pro-forma costs of these options granted subsequent to January 1, 1995 have been calculated using the Black-Scholes option pricing model and assuming a 7% risk-free interest rate, a 10-year life for the option, a 15% expected volatility and dividends at the current annual rate. The weighted average grant date fair market value of options issued was approximately $13 per share in 1995, $15 per share in 1996 and $20 per share in 1997. Had this method been used in the determination of income, net income would have decreased by approximately $5.3 million in 1997 and $1.4 million in 1996 and diluted earnings per share would have decreased by $.09 in 1997 and $.02 in 1996. Since this amount represents only the proforma effect of options granted since January 1, 1995, there was only a negligible impact on reported net income for 1995, and these proforma amounts are not likely to be representative of the effects on proforma net income for future years.

(9) Leases and Commitments:

The Company's leases extend for varying periods of time up to 10 years and, in some cases, contain renewal options. Future minimum rental payments for all operating leases having initial or remaining noncancelable lease terms in excess of one year are $17,110,000 in 1998, $14,584,000 in 1999, $10,559,000 in 2000, $7,625,000 in 2001, $6,529,000 in 2002 and $16,260,000 thereafter. Total rent expense charged to income for all operating leases was $18,341,000, $16,009,000 and $16,067,000 for the years ended December 31, 1997, 1996, and 1995, respectively.

(10) Litigation and Contingencies:

A former subsidiary of the Company is engaged in litigation in multiple states with respect to product liability. The Company sold the subsidiary in 1987. Under the terms of the sale agreement, the Company agreed to indemnify the buyer of the subsidiary for product liability related to tools manufactured by the subsidiary prior to June 4, 1987. The cases involve approximately 3,000 plaintiffs, in state and federal courts in multiple states. All other major U.S. air tool manufacturers are also

Exercise Price	Average Number Outstanding	Average Exercise Price	Average Remaining Life	Number Exercisable	Exercise Price
$ 5.94 to $ 8.50	810,350	$ 6.70	2 years	810,350	$ 6.70
$ 9.00 to $13.50	700,626	$12.12	5 years	615,626	$11.93
$14.94 to $22.25	523,884	$17.65	6 years	413,916	$17.61
$22.63 to $28.88	574,360	$26.33	7 years	283,816	$25.79
$31.13 to $45.63	1,472,920	$40.84	9 years	233,378	$36.54
$45.88 to $60.19	981,100	$53.41	10 years	—	—

defendants. The gravamen of these complaints is that the defendants' air tools, when used in different types of manufacturing environments over extended periods of time, were defective in design and caused various physical injuries. The plaintiffs seek compensatory and punitive damages. The cases are in preliminary stages of discovery and pleading and the Company intends to defend its position vigorously. The Company's maximum indemnification obligation under the contract is approximately $85,000,000. The Company believes it has insurance coverage for all or a substantial part of the damages, if any. The outcome of this litigation is not currently predictable.

A subsidiary, Joslyn Manufacturing Company (JMC), previously operated wood treating facilities that chemically preserved utility poles, pilings and railroad ties. All such treating operations were discontinued or sold prior to 1982. These facilities used wood preservatives that included creosote, pentachlorophenol and chromium-arsenic-copper. While preservatives were handled in accordance with then existing law, environmental law now imposes retroactive liability, in some circumstances, on persons who owned or operated wood-treating sites. JMC is remediating some of its former sites and will remediate other sites in the future. The Company has made a provision for environmental remediation; however, there can be no assurance that estimates of environmental liabilities will not change.

JMC is a defendant in a class action tort suit. The suit alleges exposure to chemicals, allegedly causing various physical injuries, and property devaluation resulting from wood treating operations previously conducted at a Louisiana site. The size of the class, the number of injuries related to the alleged exposures and the amount of alleged damages are all disputed and uncertain. The Company has tendered the defense of the suit to its insurance carrier. The Company believes that it may have adequate insurance coverage for the litigation; however, because of the above uncertainties, the Company is unable to determine at this time the potential liability, if any.

In addition to the litigation noted above, the Company is from time to time subject to routine litigation incidental to its business. These lawsuits primarily involve claims for damages arising out of the use of the Company's products, some of which include claims for punitive as well as compensatory damages. The Company is also involved in proceedings with respect to environmental matters including sites where the Company has been identified as a potentially responsible party under federal and state environmental laws and regulations. The Company believes that the results of the above noted litigation and other pending legal proceedings will not have a materially adverse effect on the Company's results of operations or financial condition, notwithstanding any related insurance recoveries.

A subsidiary of the Company has sold, with limited recourse, certain of its accounts and notes receivable. A provision for estimated losses as a result of the limited recourse has been included in accrued expenses. No gain or loss arose from these transactions.

(11) Income Taxes:

The provision for income taxes for the years ended December 31 consists of the following (000's omitted):

	1997	1996	1995
Current:			
Federal	**$ 85,653**	$62,908	$62,225
State and local	**10,625**	5,000	7,000
Foreign	**4,800**	7,000	4,000
Total current	**$101,078**	$74,908	$73,225
Deferred:			
Federal	**(1,963)**	6,449	(5,917)
Other	**(140)**	444	(15)
Total deferred	**(2,103)**	6,893	(5,932)
Income tax provision	**$ 98,975**	$81,801	$67,293

Deferred income taxes are reflected in prepaid expenses and other current assets and in other assets. Deferred tax assets (the valuation allowances relate to foreign jurisdictions where operating loss carryforwards exist) consist of the following (000's omitted):

December 31,	1997	1996
Bad debt allowance	**$ 6,386**	$ 5,505
Inventories	**(773)**	(171)
Property, plant and equipment	**(32,470)**	(29,100)
Post retirement benefits	**32,319**	30,552
Insurance, including self insurance	**21,755**	18,920
Environmental compliance	**26,043**	28,102
Other accruals	**41,730**	42,559
All other accounts	**(1,341)**	(4,793)
Operating loss carryforwards	**—**	8,265
Gross deferred tax asset	**93,649**	99,839
Valuation allowances	**—**	(8,265)
Net deferred tax asset	**$ 93,649**	$ 91,574

The effective income tax rate for the years ended December 31 varies from the statutory Federal income tax rate as follows:

Percentage of Pre-Tax Earnings

	1997	1996	1995
Statutory Federal income tax rate	**35.0%**	35.0%	35.0%
Increase (decrease) in tax rate resulting from:			
Permanent differences in amortization of certain assets for tax and financial reporting purposes	**3.7**	3.4	2.9
State income taxes (net of Federal income tax benefit)	**2.7**	1.6	2.6
Taxes on foreign earnings	**(2.4)**	(1.0)	(1.6)
Effective income tax rate	**39.0%**	39.0%	38.9%

(12) Segment Data:

The Company operates within two major business segments: Tools and Components and Process/Environmental Controls. The Tools and Components segment has a customer which accounted for approximately 13%, 14% and 16% of total sales in 1997, 1996 and 1995, respectively.

Operating profit represents total revenues less operating expenses, excluding interest and taxes on income. The identifiable assets by segment are those used in each segment's operations. Intersegment amounts are eliminated to arrive at consolidated totals.

The detail segment data is presented in the following table (000's omitted):

Operations in Different Industries—

Year Ended December 31,	1997	1996	1995
Total Sales:			
Tools and Components	**$1,192,761**	$1,103,443	$1,005,005
Process/Environmental Controls	**858,207**	708,435	481,764
	$2,050,968	$1,811,878	$1,486,769
Operating Profit:			
Tools and Components	**$ 144,370**	$ 128,118	$ 112,981
Process/Environmental Controls	**136,970**	112,243	80,804
Other	**(14,455)**	(14,225)	(13,528)
	$ 266,885	$ 226,136	$ 180,257
Identifiable Assets:			
Tools and Components	**$ 832,614**	$ 861,345	$ 821,604
Process/Environmental Controls	**960,226**	849,199	599,466
Other	**86,877**	54,530	64,921
	$1,879,717	$1,765,074	$1,485,991
Depreciation and Amortization:			
Tools and Components	**$ 44,908**	$ 40,237	$ 35,211
Process/Environmental Controls	**31,208**	28,389	23,316
	$ 76,116	$ 68,626	$ 58,527
Capital Expenditures:			
Tools and Components	**$ 38,304**	$ 31,346	$ 48,500
Process/Environmental Controls	**24,504**	19,909	10,672
	$ 62,808	$ 51,255	$ 59,172

Operations in Geographical Areas—

Year Ended December 31,	**1997**	1996	1995
Total Sales:			
United States	**$1,727,086**	$1,565,110	$1,235,933
Europe	**222,245**	205,416	205,228
Other	**101,637**	41,352	45,608
	$2,050,968	$1,811,878	$1,486,769
Operating Profit:			
United States	**$ 234,662**	$ 207,433	$ 156,170
Europe	**21,959**	15,107	20,348
Other	**10,264**	3,596	3,739
	$ 266,885	$ 226,136	$ 180,257
Identifiable Assets:			
United States	**$1,521,393**	$1,552,665	$1,292,166
Europe	**281,701**	188,660	173,949
Other	**76,623**	23,749	19,876
	$1,879,717	$1,765,074	$1,485,991
Sales outside United States:			
Direct Sales	**$ 323,882**	$ 246,768	$ 250,836
Exports	**163,000**	144,000	107,000
	$ 486,882	$ 390,768	$ 357,836

(13) Quarterly Data-Unaudited (000's omitted except per share data)

	1997			
	1st Quarter	**2nd Quarter**	**3rd Quarter**	**4th Quarter**
Net sales	**$466,441**	**$502,789**	**$516,601**	**$565,137**
Gross profit	**147,480**	**164,064**	**173,134**	**183,815**
Operating profit	**55,457**	**65,942**	**71,383**	**74,103**
Net earnings	**31,535**	**38,258**	**41,781**	**43,232**
Earnings per share:				
Basic	**$ .53**	**$ .65**	**$ .71**	**$ .74**
Diluted	**$ .52**	**$ .64**	**$ .69**	**$ .72**

	1996			
	1st Quarter	**2nd Quarter**	**3rd Quarter**	**4th Quarter**
Net sales	$ 409,557	$ 434,897	$ 470,787	$ 496,637
Gross profit	124,293	137,988	149,021	160,730
Operating profit	47,128	56,302	60,293	62,413
Earnings from continuing operations	26,928	32,525	33,577	34,929
Gain on sale from discontinued operations	79,811	—	—	—
Net earnings	106,739	32,525	33,577	34,929
Basic earnings per share:				
Continuing operations	$ .46	$ .56	$ .57	$ .59
Discontinued operations	1.37	—	—	—
Net earnings	$ 1.83	$ .56	$ .57	$ .59
Diluted earnings per share:				
Continuing operations	$ .45	$ .54	$ .56	$ .58
Discontinued operations	1.34	—	—	—
Net earnings	$ 1.79	$ .54	$ .56	$ .58