

# A. O. SMITH CORPORATION

## Statement of Cash Flows

(dollars in millions)

(unaudited)

|  | Six Months Ended<br>June 30, |                 |
|--|------------------------------|-----------------|
|  | 2017                         | 2016            |
| <b>Operating Activities</b>  |                              |                 |
| Net earnings   | \$ 180.1                     | \$ 160.6        |
| Adjustments to reconcile net earnings<br>to net cash provided by (used in) operating activities: |                              |                 |
| Depreciation & amortization  | 34.3                         | 32.1            |
| Stock based compensation expense   | 7.2                          | 6.9             |
| Net changes in operating assets and liabilities:   |                              |                 |
| Current assets and liabilities   | (149.9)                      | (44.8)          |
| Noncurrent assets and liabilities  | 1.5                          | 0.3             |
| <b>Cash Provided by Operating Activities</b>   | <u>73.2</u>                  | <u>155.1</u>    |
| <b>Investing Activities</b>  |                              |                 |
| Capital expenditures   | (36.3)                       | (37.7)          |
| Investment in marketable securities  | (284.4)                      | (310.1)         |
| Net proceeds from sale of marketable securities  | 284.5                        | 244.2           |
| <b>Cash Used in Investing Activities</b>   | <u>(36.2)</u>                | <u>(103.6)</u>  |
| <b>Financing Activities</b>  |                              |                 |
| Debt incurred  | 51.3                         | 32.1            |
| Common stock repurchases   | (66.2)                       | (82.2)          |
| Net proceeds from stock option activity  | 2.7                          | 4.6             |
| Dividends paid   | (48.6)                       | (42.2)          |
| <b>Cash Used In Financing Activities</b>   | <u>(60.8)</u>                | <u>(87.7)</u>   |
| Net decrease in cash and cash equivalents  | (23.8)                       | (36.2)          |
| Cash and cash equivalents - beginning of period  | 330.4                        | 323.6           |
| <b>Cash and Cash Equivalents - End of Period</b>   | <u>\$ 306.6</u>              | <u>\$ 287.4</u> |