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December 31, 2006, 2005 and 2004

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## **MANAGEMENT'S ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

The management of W.W. Grainger, Inc. (Grainger) is responsible for establishing and maintaining adequate internal control over financial reporting. Grainger's internal control system was designed to provide reasonable assurance to Grainger's management and Board of Directors regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements under all potential conditions. Therefore, effective internal control over financial reporting provides only reasonable, and not absolute, assurance with respect to the preparation and presentation of financial statements.

Grainger's management assessed the effectiveness of Grainger's internal control over financial reporting as of December 31, 2006, based on the framework set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control – Integrated Framework. Based on its assessment under that framework and the criteria established therein, Grainger's management concluded that Grainger's internal control over financial reporting was effective as of December 31, 2006.

Ernst & Young LLP, an independent registered public accounting firm, has audited management's assessment of the effectiveness of Grainger's internal control over financial reporting as of December 31, 2006, as stated in their report which is included herein.

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## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders  
W.W. Grainger, Inc.

We have audited management's assessment, included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting, that W.W. Grainger, Inc. maintained effective internal control over financial reporting as of December 31, 2006, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). W.W. Grainger, Inc.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that W.W. Grainger, Inc. maintained effective internal control over financial reporting as of December 31, 2006 is fairly stated, in all material respects, based on the COSO criteria. Also, in our opinion, W.W. Grainger, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2006 based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of W.W. Grainger, Inc. and subsidiaries as of December 31, 2006 and 2005, and the related consolidated statements of earnings, comprehensive earnings, shareholders' equity, and cash flows for the years then ended of W.W. Grainger, Inc. and our report dated February 26, 2007, expressed an unqualified opinion thereon.

Ernst & Young LLP

Chicago, Illinois  
February 26, 2007

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## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders  
W.W. Grainger, Inc.

We have audited the accompanying consolidated balance sheets of W.W. Grainger, Inc. and subsidiaries as of December 31, 2006 and 2005, and the related consolidated statements of earnings, comprehensive earnings, shareholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of W.W. Grainger, Inc. and subsidiaries at December 31, 2006 and 2005, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

As described in Note 2 to the Consolidated Financial Statements, effective January 1, 2006, the Company changed its method of accounting for share-based payments to conform with FASB Statement No. 123(R).

As described in Note 2 to the Consolidated Financial Statements, effective December 31, 2006, the Company changed its method of accounting for other postretirement plans to conform with FASB Statement No. 158.

The financial statements of W.W. Grainger, Inc. as of December 31, 2004, and for the year then ended were audited by other auditors. As described in Note 17 – Segment Information, the Company changed the composition of its reportable segments in 2006, and the amounts in the 2004 financial statements relating to reportable segments have been restated to conform to the 2005 and 2006 composition of reportable segments. We audited the adjustments that were applied to restate the disclosures for reportable segments reflected in the 2004 financial statements. Our procedures included (a) agreeing the adjusted amounts of segment sales, operating earnings, assets, depreciation and amortization, and additions to long-lived assets to the Company's underlying records obtained from management, and (b) testing the mathematical accuracy of the reconciliations of segment amounts to the consolidated financial statements. In our opinion, such adjustments are appropriate and have been properly applied. However, we were not engaged to audit, review, or apply any procedures on the 2004 financial statements of the Company other than with respect to such adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2004 financial statements taken as a whole.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of W.W. Grainger, Inc.'s internal control over financial reporting as of December 31, 2006, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 26, 2007 expressed an unqualified opinion thereon.

Ernst & Young LLP

Chicago, Illinois  
February 26, 2007

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## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Shareholders and Board of Directors  
W.W. Grainger, Inc.

We have audited, before the effects of the adjustments to retrospectively reflect the change in the composition of reportable segments described in Note 17, the accompanying consolidated balance sheet of W.W. Grainger, Inc., and Subsidiaries as of December 31, 2004, and the related consolidated statement of earnings, comprehensive earnings, shareholders' equity, and cash flows for the year then ended. These 2004 financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above, which are before the effects of the adjustments to retrospectively reflect the change in the composition of reportable segments described in Note 17, present fairly, in all material respects, the financial position of W.W. Grainger, Inc., and Subsidiaries as of December 31, 2004, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

We were not engaged to audit, review or apply any procedures to the adjustments to retrospectively reflect the change in the composition of reportable segments described in Note 17 and, accordingly, we do not express an opinion or any other form of assurance about whether such adjustments are appropriate and have been properly applied. Those adjustments were audited by other auditors.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of W.W. Grainger, Inc. and Subsidiaries' internal control over financial reporting as of December 31, 2004, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") and our report dated February 11, 2005 (not presented herein) expressed an unqualified opinion on the effectiveness of W.W. Grainger, Inc. and Subsidiaries' internal control over financial reporting.

GRANT THORNTON LLP

Chicago, Illinois  
February 11, 2005

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**W.W. Grainger, Inc. and Subsidiaries****CONSOLIDATED STATEMENTS OF EARNINGS**

(In thousands of dollars, except for per share amounts)

	For the Years Ended December 31,		
	2006	2005	2004
Net sales .....	\$5,883,654	\$5,526,636	\$5,049,785
Cost of merchandise sold .....	3,529,504	3,365,095	3,143,133
Gross profit .....	2,354,150	2,161,541	1,906,652
Warehousing, marketing and administrative expenses .....	1,776,079	1,642,552	1,465,624
Restructuring charge .....	—	—	(226)
Total operating expenses .....	1,776,079	1,642,552	1,465,398
Operating earnings .....	578,071	518,989	441,254
Other income and (expense):			
Interest income .....	21,496	12,882	6,376
Interest expense .....	(1,926)	(1,863)	(4,388)
Equity in income of unconsolidated entities – net .....	2,960	2,809	996
Gains on sales of unconsolidated entities .....	2,291	—	750
Unclassified – net .....	131	(143)	151
Total other income and (expense) .....	24,952	13,685	3,885
Earnings before income taxes .....	603,023	532,674	445,139
Income taxes .....	219,624	186,350	158,216
Net earnings .....	<u>\$ 383,399</u>	<u>\$ 346,324</u>	<u>\$ 286,923</u>
Earnings per share:			
Basic .....	<u>\$ 4.36</u>	<u>\$ 3.87</u>	<u>\$ 3.18</u>
Diluted .....	<u>\$ 4.24</u>	<u>\$ 3.78</u>	<u>\$ 3.13</u>
Weighted average number of shares outstanding:			
Basic .....	<u>87,838,723</u>	<u>89,568,746</u>	<u>90,206,773</u>
Diluted .....	<u>90,523,774</u>	<u>91,588,295</u>	<u>91,673,375</u>

The accompanying notes are an integral part of these financial statements.

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**W.W. Grainger, Inc. and Subsidiaries****CONSOLIDATED STATEMENTS OF COMPREHENSIVE EARNINGS**

(In thousands of dollars)

	For the Years Ended December 31,		
	2006	2005	2004
Net earnings .....	\$383,399	\$346,324	\$286,923
Other comprehensive earnings (losses):			
Foreign currency translation adjustments, net of tax benefit (expense) of \$147, \$(1,642) and \$(8,734), respectively.....	(1,181)	9,383	15,458
Unrecognized holding gain (loss) on other employment-related benefit plans, net of tax (expense) benefit of \$(21) and \$226, respectively .....	33 (1,148)	(353) 9,030	— 15,458
Comprehensive earnings.....	<u>\$382,251</u>	<u>\$355,354</u>	<u>\$302,381</u>

The accompanying notes are an integral part of these financial statements.

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**W.W. Grainger, Inc. and Subsidiaries****CONSOLIDATED BALANCE SHEETS**

(In thousands of dollars, except for per share amounts)

ASSETS	As of December 31,		
	2006	2005	2004
CURRENT ASSETS			
Cash and cash equivalents .....	\$ 348,471	\$ 544,894	\$ 429,246
Marketable securities at cost, which approximates market value .....	12,827	—	—
Accounts receivable (less allowances for doubtful accounts of \$18,801, \$18,401 and \$23,375, respectively) .....	566,607	518,625	480,893
Inventories .....	827,254	791,212	700,559
Prepaid expenses and other assets .....	58,804	54,334	47,086
Deferred income taxes .....	48,123	76,474	86,632
Total current assets .....	1,862,086	1,985,539	1,744,416
PROPERTY, BUILDINGS AND EQUIPMENT			
Land .....	167,218	162,123	154,673
Buildings, structures and improvements .....	890,380	841,031	804,317
Furniture, fixtures, machinery and equipment .....	769,506	716,497	679,141
	1,827,104	1,719,651	1,638,131
Less accumulated depreciation and amortization .....	1,034,169	949,026	876,558
Property, buildings and equipment – net .....	792,935	770,625	761,573
DEFERRED INCOME TAXES .....	48,793	16,702	29,168
INVESTMENTS IN UNCONSOLIDATED ENTITIES .....	8,492	25,155	26,126
GOODWILL .....	210,671	182,726	165,011
OTHER ASSETS AND INTANGIBLES – NET .....	123,111	127,174	83,279
TOTAL ASSETS .....	<u>\$3,046,088</u>	<u>\$3,107,921</u>	<u>\$2,809,573</u>



## W.W. Grainger, Inc. and Subsidiaries

### CONSOLIDATED BALANCE SHEETS – CONTINUED

(In thousands of dollars, except for per share amounts)

LIABILITIES AND SHAREHOLDERS' EQUITY	As of December 31,		
	2006	2005	2004
<b>CURRENT LIABILITIES</b>			
Current maturities of long-term debt.....	\$ 4,590	\$ 4,590	\$ 9,485
Trade accounts payable .....	334,820	319,254	289,388
Accrued compensation and benefits .....	140,141	152,543	127,994
Accrued contributions to employees' profit sharing plans .....	113,014	90,478	76,052
Accrued expenses.....	106,681	103,932	97,860
Income taxes .....	7,077	24,554	35,253
Total current liabilities .....	706,323	695,351	636,032
LONG-TERM DEBT (less current maturities) .....	4,895	4,895	—
DEFERRED INCOME TAXES.....	6,235	7,019	4,482
ACCRUED EMPLOYMENT-RELATED BENEFITS COSTS.....	151,020	111,680	101,089
<b>SHAREHOLDERS' EQUITY</b>			
Cumulative Preferred Stock – \$5 par value – 12,000,000 shares authorized; none issued nor outstanding .....	—	—	—
Common Stock – \$0.50 par value – 300,000,000 shares authorized; issued, 109,657,938, 109,667,938 and 109,672,938 shares, respectively .....	54,829	54,834	54,836
Additional contributed capital.....	513,667	451,578	432,171
Retained earnings .....	3,007,606	2,722,103	2,458,442
Unearned restricted stock compensation .....	(35,213)	(17,280)	(14,463)
Accumulated other comprehensive earnings.....	3,431	27,082	18,052
Treasury stock, at cost – 25,590,311, 19,952,297 and 19,075,511 shares, respectively .....	(1,366,705)	(949,341)	(881,068)
Total shareholders' equity .....	2,177,615	2,288,976	2,067,970
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY .....</b>	<b>\$3,046,088</b>	<b>\$3,107,921</b>	<b>\$2,809,573</b>

The accompanying notes are an integral part of these financial statements.

## W.W. Grainger, Inc. and Subsidiaries

### CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands of dollars)

	For the Years Ended December 31,		
	2006	2005	2004
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net earnings .....	\$ 383,399	\$ 346,324	\$ 286,923
Provision for losses on accounts receivable .....	6,057	1,326	5,159
Deferred income taxes .....	9,858	23,663	(4,450)
Depreciation and amortization:			
Property, buildings and equipment .....	100,975	98,087	85,566
Capitalized software and other intangibles .....	17,593	10,695	12,690
Stock-based compensation .....	33,754	9,015	8,226
Tax benefit of stock incentive plans .....	1,563	11,962	12,068
Net gains on sales of property, buildings and equipment .....	(11,035)	(7,337)	(1,725)
(Income) from unconsolidated entities .....	(2,960)	(2,809)	(996)
(Gains) on sales of unconsolidated entities .....	(2,291)	—	(750)
Change in operating assets and liabilities – net of business acquisitions and joint venture contributions:			
(Increase) decrease in accounts receivable .....	(53,056)	(36,378)	(49,935)
(Increase) decrease in inventories .....	(33,839)	(84,031)	(30,728)
(Increase) decrease in prepaid expenses .....	(3,918)	(6,251)	(9,087)
Increase (decrease) in trade accounts payable .....	10,888	27,121	29,302
Increase (decrease) in other current liabilities .....	(2,558)	43,056	64,372
Increase (decrease) in current income taxes payable .....	(17,395)	(10,632)	(4,268)
Increase (decrease) in accrued employment-related benefits costs .....	2,634	10,012	8,613
Other – net .....	(2,916)	(1,280)	(4,493)
Net cash provided by operating activities .....	436,753	432,543	406,487
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Additions to property, buildings and equipment .....	(127,814)	(112,297)	(128,276)
Proceeds from sales of property, buildings and equipment – net .....	17,314	15,037	17,616
Additions to capitalized software .....	(8,950)	(44,950)	(32,482)
Purchase of marketable securities .....	(13,187)	—	—
Proceeds from sale of unconsolidated entity .....	27,843	—	—
Net cash paid for business acquisitions .....	(34,390)	(24,817)	—
(Investments in) and loan repayment from unconsolidated entities .....	(3,988)	4,088	—
Other – net .....	3,426	(46)	750
Net cash used in investing activities .....	(139,746)	(162,985)	(142,392)

**W.W. Grainger, Inc. and Subsidiaries**

**CONSOLIDATED STATEMENTS OF CASH FLOWS – CONTINUED**

(In thousands of dollars)

	For the Years Ended December 31,		
	<u>2006</u>	<u>2005</u>	<u>2004</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Long-term debt payments .....	\$ —	\$ —	\$(140,800)
Stock options exercised .....	64,437	65,997	72,275
Excess tax benefits from stock-based compensation .....	13,373	—	—
Purchase of treasury stock .....	(472,787)	(137,473)	(100,872)
Cash dividends paid .....	<u>(97,896)</u>	<u>(82,663)</u>	<u>(71,243)</u>
Net cash used in financing activities .....	(492,873)	(154,139)	(240,640)
Exchange rate effect on cash and cash equivalents .....	<u>(557)</u>	<u>229</u>	<u>2,967</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS .....	(196,423)	115,648	26,422
Cash and cash equivalents at beginning of year .....	<u>544,894</u>	<u>429,246</u>	<u>402,824</u>
Cash and cash equivalents at end of year .....	<u><u>\$ 348,471</u></u>	<u><u>\$ 544,894</u></u>	<u><u>\$ 429,246</u></u>
Supplemental cash flow information:			
Cash payments for interest (net of amounts capitalized) .....	\$ 1,413	\$ 1,791	\$ 3,408
Cash payments for income taxes .....	212,350	162,030	154,589
Noncash investing activities:			
Fair value of noncash assets acquired in business acquisitions .....	\$ 38,430	\$ 26,811	\$ —
Liabilities assumed in business acquisitions .....	(4,040)	(1,994)	—

The accompanying notes are an integral part of these financial statements.

## W.W. Grainger, Inc. and Subsidiaries

### CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(In thousands of dollars, except for per share amounts)

	Common Stock	Additional Contributed Capital	Retained Earnings	Unearned Restricted Stock Compensation	Accumulated Other Comprehensive Earnings (Losses)	Treasury Stock
Balance at January 1, 2004.....	\$54,689	\$394,409	\$2,242,762	\$(11,471)	\$ 2,594	\$ (837,848)
Exercise of stock options .....	253	11,910	—	—	—	60,112
Tax benefits on stock options exercised .....	—	10,138	—	—	—	—
Issuance of other stock-based compensation awards .....	5	12,647	—	(12,652)	—	—
Tax benefits on other vested stock-based compensation awards ...	—	1,930	—	—	—	—
Conversion of restricted stock to restricted stock units.....	(108)	108	—	—	—	—
Remeasurement of stock options and other stock-based compensation awards .....	—	2,620	—	(809)	—	—
Cancellation of other stock-based compensation awards .....	(3)	(1,479)	—	1,482	—	—
Amortization of unearned compensation on other stock- based compensation awards .....	—	—	—	8,987	—	—
Settlement of other stock-based compensation awards .....	—	(161)	—	—	—	(2,411)
Purchase of 2,001,000 shares of treasury stock; 5,510 shares issued ...	—	49	—	—	—	(100,921)
Other comprehensive earnings .....	—	—	—	—	15,458	—
Net earnings .....	—	—	286,923	—	—	—
Cash dividends paid (\$0.785 per share) .....	—	—	(71,243)	—	—	—
Balance at December 31, 2004 .....	\$54,836	\$432,171	\$2,458,442	\$(14,463)	\$ 18,052	\$ (881,068)
Exercise of stock options .....	—	(3,882)	—	—	—	69,879
Tax benefits on stock options exercised .....	—	11,546	—	—	—	—
Issuance of other stock-based compensation awards .....	—	12,932	—	(12,932)	—	—
Tax benefits on other vested stock-based compensation awards ...	—	416	—	—	—	—
Remeasurement of stock options and other stock-based compensation awards .....	—	303	—	(208)	—	—
Cancellation of other stock-based compensation awards .....	(2)	(1,401)	—	1,403	—	—
Amortization of unearned compensation on other stock-based compensation awards ...	—	—	—	8,920	—	—
Vesting of restricted stock .....	—	—	—	—	—	(994)
Settlement of other stock-based compensation awards .....	—	(507)	—	—	—	315
Purchase of 2,372,300 shares of treasury stock .....	—	—	—	—	—	(137,473)
Other comprehensive earnings .....	—	—	—	—	9,030	—
Net earnings .....	—	—	346,324	—	—	—
Cash dividends paid (\$0.920 per share) .....	—	—	(82,663)	—	—	—
Balance at December 31, 2005 .....	\$54,834	\$451,578	\$2,722,103	\$(17,280)	\$ 27,082	\$ (949,341)

## W.W. Grainger, Inc. and Subsidiaries

### CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY – CONTINUED

(In thousands of dollars, except for per share amounts)

	Common Stock	Additional Contributed Capital	Retained Earnings	Unearned Restricted Stock Compensation	Accumulated Other Comprehensive Earnings (Losses)	Treasury Stock
Balance at December 31, 2005 .....	\$54,834	\$451,578	\$2,722,103	\$(17,280)	\$ 27,082	\$ (949,341)
Exercise of stock options .....	—	(3,984)	—	—	—	68,421
Tax benefits on stock options exercised .....	—	13,989	—	—	—	—
Stock option expense .....	—	19,904	—	—	—	—
Issuance of other stock-based compensation awards .....	—	33,726	—	(33,726)	—	—
Tax benefits on other vested stock-based compensation awards ...	—	947	—	—	—	—
Remeasurement of stock options and other stock-based compensation awards .....	—	488	—	(488)	—	—
Cancellation of other stock-based compensation awards .....	(5)	(2,431)	—	2,436	—	—
Amortization of unearned compensation on other stock-based compensation awards ...	—	—	—	13,845	—	—
Vesting of restricted stock .....	—	—	—	—	—	(4,263)
Settlement of other stock-based compensation awards .....	—	(1,003)	—	—	—	592
Purchase of 6,983,000 shares of treasury stock .....	—	—	—	—	—	(482,114)
Other comprehensive earnings .....	—	—	—	—	(1,148)	—
Adjustment to initially apply SFAS No. 158 to postretirement benefit plans, net of tax benefit of \$14,280 .....	—	—	—	—	(22,503)	—
Change in interest – joint venture .....	—	453	—	—	—	—
Net earnings .....	—	—	383,399	—	—	—
Cash dividends paid (\$1.110 per share) .....	—	—	(97,896)	—	—	—
Balance at December 31, 2006 .....	<u>\$54,829</u>	<u>\$513,667</u>	<u>\$3,007,606</u>	<u>\$(35,213)</u>	<u>\$ 3,431</u>	<u>\$(1,366,705)</u>

The accompanying notes are an integral part of these financial statements.