

Reconciliation of Non-GAAP Financial Measures

The tables below are provided to reconcile certain financial disclosures in the Letter to Shareholders, page 1.

(Dollars in Millions Except Per Share Data)	2009	2008	2007	'09 vs. '08 % Change	'08 vs. '07 % Change
Earnings before provision for taxes on income — as reported	\$15,755	16,929	13,283	(6.9)%	27.4
Purchased in-process research & development (IPR&D)	—	181	807		
Net gain on fourth quarter litigation	(386)	(379)	—		
Restructuring expense	1,186	—	745		
NATRECOR® intangible asset write-down	—	—	678		
Earnings before provision for taxes on income — as adjusted	\$16,555	16,731	15,513	(1.1)%	7.9
Net Earnings — as reported	\$12,266	12,949	10,576	(5.3)%	22.4
Purchased in-process research & development (IPR&D)	—	181	807		
Net gain on fourth quarter litigation	(212)	(229)	—		
Restructuring expense	852	—	528		
NATRECOR® intangible asset write-down	—	—	441		
International tax gain on restructuring	—	—	(267)		
Net Earnings — as adjusted	\$12,906	12,901	12,085	0.0%	6.8
Diluted net earnings per share — as reported	\$ 4.40	4.57	3.63	(3.7)%	25.9
Purchased in-process research & development (IPR&D)	—	0.06	0.28		
Net gain on fourth quarter litigation	(0.08)	(0.08)	—		
Restructuring expense	0.31	—	0.18		
NATRECOR® intangible asset write-down	—	—	0.15		
International tax gain on restructuring	—	—	(0.09)		
Diluted net earnings per share — as adjusted	\$ 4.63	4.55	4.15	1.8%	9.6

(Dollars in Millions)	2009	2008	2007	'09 vs. '08 % Change	'08 vs. '07 % Change
Net cash flows from operating activities	\$16,571	14,972	15,022		
Additions to property, plant and equipment	(2,365)	(3,066)	(2,942)		
Free Cash Flow	\$14,206	11,906	12,080	19.3	(1.4)

The Company believes investors gain additional perspective of underlying business trends and results by providing free cash flow, a measure of earnings before tax, net earnings and diluted net earnings per share that excludes IPR&D charges and other special items in order to evaluate ongoing business operations. These non-GAAP financial measures should not be considered replacements for, and should be read together with, the most comparable GAAP financial measures.