

## 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)	2010	2009	2008	'10 vs. '09 % Change	'09 vs. '08 % Change
Earnings before provision for taxes on income — as reported	\$16,947	15,755	16,929	7.6%	(6.9)
Purchased in-process research & development (IPR&D)	—	—	181		
Gain on litigation settlements, net	(966)	(386)	(379)		
Restructuring expense	—	1,186	—		
Product liability expense	569	—	—		
DePuy ASR™ Hip recall program	280	—	—		
Earnings before provision for taxes on income — as adjusted	\$16,830	16,555	16,731	1.7%	(1.1)
Net Earnings — as reported	\$13,334	12,266	12,949	8.7%	(5.3)
Purchased in-process research & development (IPR&D)	—	—	181		
Gain on litigation settlements, net	(698)	(212)	(229)		
Restructuring expense	—	852	—		
Product liability expense	404	—	—		
DePuy ASR™ Hip recall program	239	—	—		
Net Earnings — as adjusted	\$13,279	12,906	12,901	2.9%	0.0
Diluted Net Earnings per share — as reported	\$ 4.78	4.40	4.57	8.6%	(3.7)
Purchased in-process research & development (IPR&D)	—	—	0.06		
Gain on litigation settlements, net	(0.25)	(0.08)	(0.08)		
Restructuring expense	—	0.31	—		
Product liability expense	0.14	—	—		
DePuy ASR™ Hip recall program	0.09	—	—		
Diluted Net Earnings per share — as adjusted	\$ 4.76	4.63	4.55	2.8%	1.8

(Dollars in Millions)	2010	2009	2008	'10 vs. '09 % Change	'09 vs. '08 % Change
Net cash flows from operating activities	\$16,385	16,571	14,972		
Additions to property, plant and equipment	\$ (2,384)	(2,365)	(3,066)		
Free Cash Flow	\$14,001	14,206	11,906	(1.4)%	19.3

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.