

Condensed Consolidated Statement of Earnings

(Unaudited; in Millions Except Per Share Figures)

SECOND QUARTER

	2011		2010		Percent Increase (Decrease)
	Amount	Percent to Sales	Amount	Percent to Sales	
Sales to customers	\$ 16,597	100.0	\$ 15,330	100.0	8.3
Cost of products sold	5,172	31.2	4,630	30.2	11.7
Selling, marketing and administrative expenses	5,215	31.4	4,756	31.0	9.7
Research and development expense	1,882	11.3	1,648	10.8	14.2
Interest (income)expense, net	111	0.7	58	0.4	
Other (income)expense, net	206	1.3	18	0.1	
Restructuring expense	589	3.5	-	-	
Earnings before provision for taxes on income	3,422	20.6	4,220	27.5	(18.9)
Provision for taxes on income	646	3.9	771	5.0	(16.2)
Net earnings	\$ 2,776	16.7	\$ 3,449	22.5	(19.5)
Net earnings per share (Diluted)	\$ 1.00		\$ 1.23		(18.7)
Average shares outstanding (Diluted)	2,781.3		2,796.0		
Effective tax rate	18.9 %		18.3 %		

Adjusted earnings before provision for taxes and net earnings

Earnings before provision for taxes on income	\$ 4,413 (1)	26.6	\$ 4,377 (2)	28.6	0.8
Net earnings	\$ 3,548 (1)	21.4	\$ 3,382 (2)	22.1	4.9
Net earnings per share (Diluted)	\$ 1.28 (1)		\$ 1.21 (2)		5.8
Effective tax rate	19.6 %		22.7 %		

(1) The \$991 million difference between as reported earnings and as adjusted earnings before provision for taxes on income is the exclusion of expense due to restructuring (\$676 million, of which \$589 million is reported as restructuring expense and \$87 million is included in cost of products sold), expense due to litigation matters (\$363 million), additional DePuy ASR™ Hip recall costs (\$54 million) and a mark-to-market gain associated with a currency option related to the planned acquisition of Synthes (\$102 million). Net earnings and net earnings per share (diluted) on these items are \$772 million and \$0.28 per share, respectively.

(2) The difference between as reported and as adjusted earnings before provision for taxes on income, net earnings and net earnings per share (diluted) is the exclusion of net litigation expense of \$157 million before tax, net litigation income of \$67 million after tax and \$0.02 per share, respectively.

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(Unaudited; in Millions Except Per Share Figures)

SIX MONTHS

	2011		2010		Percent Increase (Decrease)
	Amount	Percent to Sales	Amount	Percent to Sales	
Sales to customers	\$ 32,770	100.0	\$ 30,961	100.0	5.8
Cost of products sold	9,950	30.4	9,158	29.6	8.6
Selling, marketing and administrative expenses	10,271	31.3	9,535	30.8	7.7
Research and development expense	3,620	11.0	3,205	10.4	12.9
Interest (income)expense, net	215	0.7	139	0.4	
Other (income)expense, net	193	0.6	(1,576)	(5.1)	
Restructuring expense	589	1.8	-	-	
Earnings before provision for taxes on income	7,932	24.2	10,500	33.9	(24.5)
Provision for taxes on income	1,680	5.1	2,525	8.1	(33.5)
Net earnings	\$ 6,252	19.1	\$ 7,975	25.8	(21.6)
Net earnings per share (Diluted)	\$ 2.25		\$ 2.85		(21.1)
Average shares outstanding (Diluted)	2,778.1		2,796.1		
Effective tax rate	21.2 %		24.0 %		

Adjusted earnings before provision for taxes and net earnings

Earnings before provision for taxes on income	\$ 9,269 (1)	28.3	\$ 9,160 (2)	29.6	1.2
Net earnings	\$ 7,295 (1)	22.3	\$ 6,998 (2)	22.6	4.2
Net earnings per share (Diluted)	\$ 2.63 (1)		\$ 2.50 (2)		5.2
Effective tax rate	21.3 %		23.6 %		

(1) The \$1,337 million difference between as reported earnings and as adjusted earnings before provision for taxes on income is the exclusion of expense due to restructuring (\$676 million, of which \$589 million is reported as restructuring expense and \$87 million is included in cost of products sold), expense due to litigation matters (\$654 million), additional DePuy ASR™ Hip recall costs (\$109 million) and a mark-to-market gain associated with a currency option related to the planned acquisition of Synthes (\$102 million). Net earnings and net earnings per share (diluted) on these items are \$1,043 million and \$0.38 per share, respectively.

(2) The difference between as reported earnings and as adjusted earnings before provision for taxes on income, net earnings and net earnings per share (diluted) is the exclusion of income from net litigation of \$1,340 million, \$977 million and \$0.35 per share, respectively.