

Consolidated Statements of Cash Flows

(Dollars in millions)

Year ended December 31	2005	2004	2003
Cash flows - operating activities:			
Net earnings	\$2,572	\$1,872	\$718
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Non-cash items:			
Goodwill impairment		3	913
Share-based plans expense	852	576	456
Depreciation	1,412	1,412	1,306
Amortization of other acquired intangibles	91	97	94
Amortization of debt discount/premium and issuance costs	23	15	18
Pension expense/(income)	1,225	335	(147)
Investment/asset impairments charges, net	83	122	153
Customer financing valuation provision	73	45	216
Net loss (gain) on disposal of discontinued operations	12	(66)	
Gain on dispositions, net	(520)	(23)	2
Other charges and credits, net	129	539	63
Non-cash adjustments relating to discontinued operations		15	63
Excess tax benefits from share-based payment arrangements	(70)	(23)	
Changes in assets and liabilities –			
Accounts receivable	(592)	(241)	357
Inventories, net of advances, progress billings and reserves	(1,965)	535	191
Accounts payable and other liabilities	1,147	1,321	(132)
Advances in excess of related costs	3,562	735	643
Income taxes receivable, payable and deferred	628	1,086	320
Deferred lease income	(476)	(30)	233
Prepaid pension expense	(1,862)	(4,355)	(1,728)
Goodwill		(3)	(3)
Other acquired intangibles, net	11	(1)	(2)
Accrued retiree health care	30	214	311
Customer financing, net	589	(421)	(1,316)
Other	46	(255)	47
Net cash provided by operating activities	7,000	3,504	2,776
Cash flows – investing activities:			
Discontinued operations customer financing, additions			(333)
Discontinued operations customer financing, reductions	2	174	558
Property, plant and equipment, additions	(1,547)	(1,246)	(836)
Property, plant and equipment, reductions	51	268	95
Acquisitions, net of cash acquired	(172)	(34)	289
Proceeds from dispositions of discontinued operations		2,017	
Proceeds from dispositions	1,709	194	186
Contributions to investments	(2,866)	(4,142)	(102)
Proceeds from investments	2,725	1,323	203
Net cash (used)/provided by investing activities	(98)	(1,446)	60
Cash flows – financing activities:			
New borrowings			2,042
Debt repayments	(1,378)	(2,208)	(2,024)
Stock options exercised	348	98	18
Excess tax benefits from share-based payment arrangements	70	23	
Common shares repurchased	(2,877)	(752)	
Dividends paid	(820)	(648)	(572)
Net cash used by financing activities	(4,657)	(3,487)	(536)
Effect of exchange rate changes on cash and cash equivalents	(37)		
Net increase/(decrease) in cash and cash equivalents	2,208	(1,429)	2,300
Cash and cash equivalents at beginning of year	3,204	4,633	2,333
Cash and cash equivalents at end of year	\$5,412	\$3,204	\$4,633

See notes to consolidated financial statements on pages 50–84.