

Consolidated Statements of Cash Flows

(Dollars in millions)

Year ended December 31

	2006	2005	2004
Cash flows – operating activities:			
Net earnings	\$ 2,215	\$ 2,572	\$ 1,872
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Non-cash items –			
Goodwill impairment			3
Share-based plans expense	743	1,036	655
Depreciation	1,445	1,412	1,412
Amortization of other acquired intangibles	100	91	97
Amortization of debt discount/premium and issuance costs	14	23	15
Pension expense	746	1,225	335
Investment/asset impairment charges, net	118	83	122
Customer financing valuation provision	32	73	45
Net loss (gain) on disposal of discontinued operations	(14)	12	(66)
Loss/(gain) on dispositions/business shutdown, net	226	(520)	(23)
Other charges and credits, net	82	129	539
Non-cash adjustments relating to discontinued operations			15
Excess tax benefits from share-based payment arrangements	(395)	(70)	(23)
Changes in assets and liabilities –			
Accounts receivable	(244)	(592)	(241)
Inventories, net of advances and progress billings	444	(1,965)	535
Accounts payable and other liabilities	(744)	963	1,242
Advances and billings in excess of related costs	1,739	3,562	735
Income taxes receivable, payable and deferred	933	628	1,086
Other long-term liabilities	(62)	(476)	(30)
Prepaid pension expense	(522)	(1,862)	(4,355)
Goodwill			(3)
Other acquired intangibles		11	(1)
Accrued retiree health care	114	30	214
Customer financing	718	589	(421)
Other	(189)	46	(255)
Net cash provided by operating activities	7,499	7,000	3,504
Cash flows – investing activities:			
Discontinued operations customer financing, reductions		2	174
Property, plant and equipment, additions	(1,681)	(1,547)	(1,246)
Property, plant and equipment, reductions	225	51	268
Acquisitions, net of cash acquired	(1,854)	(172)	(34)
Proceeds from dispositions of discontinued operations		33	2,017
Proceeds from dispositions	123	1,676	194
Contributions to investments	(2,815)	(2,866)	(4,142)
Proceeds from investments	2,850	2,725	1,323
Other	(34)		
Net cash used by investing activities	(3,186)	(98)	(1,446)
Cash flows – financing activities:			
New borrowings	1		
Debt repayments	(1,681)	(1,378)	(2,208)
Stock options exercised	294	348	98
Excess tax benefits from share-based payment arrangements	395	70	23
Common shares repurchased	(1,698)	(2,877)	(752)
Dividends paid	(956)	(820)	(648)
Net cash used by financing activities	(3,645)	(4,657)	(3,487)
Effect of exchange rate changes on cash and cash equivalents	38	(37)	
Net increase/(decrease) in cash and cash equivalents	706	2,208	(1,429)
Cash and cash equivalents at beginning of year	5,412	3,204	4,633
Cash and cash equivalents at end of year	\$ 6,118	\$ 5,412	\$ 3,204
Non-cash investing and financing activities:			
Capital lease obligations incurred	\$ 357		

See notes to consolidated financial statements on pages 45–79.