

Consolidated Statements of Cash Flows

(in millions of dollars)

| for the years ended December 31, | 2012 | 2011 | 2010 |
|--|----------|----------|----------|
| Cash Provided by (Used in) Operating Activities | | | |
| Net earnings | \$ 9,154 | \$ 8,879 | \$ 7,498 |
| Adjustments to reconcile net earnings to operating cash flows: | | | |
| Depreciation and amortization | 898 | 993 | 932 |
| Deferred income tax (benefit) provision | (248) | 15 | 101 |
| Asset impairment and exit costs, net of cash paid | 26 | 11 | (28) |
| Cash effects of changes, net of the effects from acquired companies: | | | |
| Receivables, net | (398) | (251) | 123 |
| Inventories | (728) | (36) | 1,071 |
| Accounts payable | 10 | 199 | (72) |
| Income taxes | 638 | 231 | 92 |
| Accrued liabilities and other current assets | (183) | 691 | 41 |
| Pension plan contributions | (207) | (535) | (433) |
| Other | 459 | 332 | 112 |
| Net cash provided by operating activities | 9,421 | 10,529 | 9,437 |
| Cash Provided by (Used in) Investing Activities | | | |
| Capital expenditures | (1,056) | (897) | (713) |
| Purchase of businesses, net of acquired cash | — | (80) | (83) |
| Other | 64 | (55) | 86 |
| Net cash used in investing activities | (992) | (1,032) | (710) |

See notes to consolidated financial statements.

| for the years ended December 31, | 2012 | 2011 | 2010 |
|--|-----------------|-----------------|-----------------|
| Cash Provided by (Used in) Financing Activities | | | |
| Short-term borrowing activity by original maturity: | | | |
| Net issuances (repayments)—maturities of 90 days or less | \$ 1,515 | \$ (968) | \$ 479 |
| Issuances—maturities longer than 90 days | 603 | 921 | — |
| Repayments—maturities longer than 90 days | (1,220) | (179) | (488) |
| Long-term debt proceeds | 5,516 | 3,767 | 1,130 |
| Long-term debt repaid | (2,237) | (1,483) | (183) |
| Repurchases of common stock | (6,525) | (5,372) | (5,030) |
| Issuances of common stock | 1 | 75 | 229 |
| Dividends paid | (5,404) | (4,788) | (4,423) |
| Other | (349) | (311) | (292) |
| Net cash used in financing activities | (8,100) | (8,338) | (8,578) |
| Effect of exchange rate changes on cash and cash equivalents | 104 | (312) | 14 |
| Cash and cash equivalents: | | | |
| Increase | 433 | 847 | 163 |
| Balance at beginning of year | 2,550 | 1,703 | 1,540 |
| Balance at end of year | \$ 2,983 | \$ 2,550 | \$ 1,703 |
| Cash paid: Interest | \$ 986 | \$ 963 | \$ 912 |
| Income taxes | \$ 3,420 | \$ 3,366 | \$ 2,728 |

As discussed in Note 6. *Acquisitions and Other Business Arrangements*, PMI's 2010 business combination in the Philippines was a non-cash transaction.