

Financial Appendix for Art Levinson's presentations

GAAP to Non-GAAP Reconciliation:

The Company uses non-GAAP historical measures and forecasts to monitor and evaluate the Company's operating results and trends on an on-going basis and to facilitate internal comparisons to historical results. The Company also uses non-GAAP historical measures and forecasts internally for operating, budgeting and financial planning purposes. The Company believes that the non-GAAP historical measures and forecasts are useful for investors because it provides them with the ability to compare projected future operating results to historical operating results, better identify trends in the Company's business and better understand how management evaluates the business. **Non-GAAP historical measures and forecasts have limitations because they do not include all items of income and expense that affect the Company and they are not prepared in accordance with, and should not be considered in isolation of, or as an alternative to, measurements required by GAAP.**

Historical non-GAAP measures:

Non-GAAP financial measures exclude the effects of: (i) recurring amortization charges related to the 1999 redemption of our common stock (Redemption) by Roche Holdings, Inc. (Roche) and our 2007 acquisition of Tanox (such Tanox charges are applicable to 2007 and 2008 only) of \$198 million in 1999, \$375 million in 2000, \$322 million in 2001, \$156 million in 2002, \$154 million in 2003, \$145 million in 2004, \$123 million in 2005, \$105 million in 2006, \$132 million in 2007, and \$172 million in 2008 on a pretax basis, (ii) costs incurred by the company on behalf of the Special Committee in connection with its review of the Roche proposal to acquire our outstanding shares (Roche Proposal), as well as legal costs incurred in defense of the Special Committee and/or its individual members in shareholder lawsuits filed in connection with the Roche Proposal totaling \$14 million in 2008 on a pretax basis, (iii) the net litigation settlement related to the City of Hope (COH) judgment of (\$300) million in 2008 on a pretax basis and additional costs accrued related to the COH contract dispute of \$40 million on a pretax basis based on the status of negotiations between the parties on amounts owed for periods subsequent to the original court judgment rendered in 2002, (iv) litigation-related and similar special items for accrued interest and associated bond costs on the COH judgment, including accrued interest and costs related to obtaining a surety bond, and certain other litigation-related matters, in 2002 of \$544 million; in 2003 of (\$113) million including Amgen and Bayer litigation settlements (net of accrued interest and bond costs related to the COH judgment); in 2004 of \$37 million including accrued interest and bond costs related to the COH judgment (net of a released accrual on a separate litigation matter); in 2005 of \$58 million including accrued interest and bond costs related to the COH judgment and net amounts paid related to other litigation settlements; and in 2006 and 2007 of \$54 million a pretax basis, (v) employee stock-based compensation expense of \$309 million in 2006, \$403 million in 2007, and \$399 million in 2008 on a pretax basis, (vi) certain items related to our acquisition of Tanox, including a non-recurring charge of \$77 million in 2007, a non-recurring gain pursuant to application of Emerging Issues Task

Force (EITF) 04-1, "Accounting for Preexisting Relationships between the Parties to a Business Combination," (EITF 04-1) of (\$121) million in 2007 on a pretax basis, a non-recurring asset impairment charge of \$15 million in 2008 on a pretax basis, and recurring recognition of deferred royalty revenue of (\$6) million in 2007 and (\$15) million in 2008 on a pretax basis, (vii) the changes in fair value of certain derivatives recorded in "other income, net" of \$10 million in 2001 on a pretax basis, (viii) costs related to the sale of inventory that was written up at the Redemption due to push-down accounting in 1999 and 2000 of \$93 million on a pretax basis, (ix) charges in 1999 related to the Redemption and push-down accounting of \$1,208 million and legal settlements of \$230 million, (x) the related net income tax effects of excluding these items of (\$325) million in 1999, (\$127) million in 2000, (\$64) million in 2001, (\$280) million in 2002, (\$16) million in 2003, (\$73) million in 2004 and 2005, (\$191) million in 2006, (\$166) million in 2007, and (\$109) million in 2008, and (xi) the cumulative effect of accounting changes, net of tax, of \$58 million in 2000, \$6 million in 2001 and \$47 million in 2003. Please note that we did not adopt FAS 123R retrospectively.

The Company believes it is appropriate to exclude the effects of the Redemption-related charges; litigation-related and similar special items; the in-process R&D charge, recognition of deferred royalty revenue, asset impairment charges, recurring amortization of intangible assets and EITF 04-1 gain resulting from our acquisition of Tanox, Inc.; and charges associated with supporting the Special Committee because those amounts were the result of transactions that are unusual due to their nature, size or infrequency. The Company excludes the effects of employee stock-based compensation because of varying available valuation methodologies, subjective assumptions and the variety of award types; such exclusion facilitates both comparisons of the Company's operating results to our peer companies and comparison of the Company's financial results to any previous periods during which the Company's equity-based awards were not required to be reflected on the Company's income statements. Additionally, the Company excludes the tax effects of the items noted above in order to present a more meaningful measure of non-GAAP net income and EPS.

Free Cash Flow:

For purposes of determining the Horizon 2010 goals, we forecast free cash flow as cash from ongoing operations less capital expenditures, and do not include in this goal items which we believe do not reflect our operational performance, such as litigation settlements, and trading portfolio changes. In order to determine progress toward the 2010 free cash flow goal through December 31, 2008, free cash flow was determined by "net cash from operating activities" less capital expenditures of \$1,214 million in 2006, \$977 million in 2007 and \$751 million in 2008, the effect of changes in the trading portfolio of \$29 million in 2006, \$360 million in 2007, and \$(82) million in 2008, and the after-tax effect of the payment in Q2 2008 related to the COH litigation settlement of \$291 million. Capital expenditures for 2008 exclude a \$200 million financing payment related to the construction of a manufacturing facility in Singapore that also reduced our 2008 free cash flow.