Economic Profit (Unaudited) [1]

Reconciliation of economic profit (EP)

Dollars in millions and all calculations on a rounded basis

	FY12	FY11[2]	FY10[2]
Earnings from continuing operations before income taxes	**$ 791**	**$ 563**	**$ 805**
Non-cash restructuring-related and asset impairment costs	4	6	4
Non-cash goodwill impairment	-	258	-
Interest expense	125	123	139
Earnings from continuing operations before income taxes, non-cash restructuring-related and asset impairment costs, non-cash goodwill impairment and interest expense	$ 920	$ 950	$ 948
Adjusted after tax profit [3]	**$ 631**	**$ 629**	**$ 619**
Average capital employed [4]	$ 2,544	$ 2,618	$ 2,525
Capital charge [5]	**229**	**236**	**227**
Economic profit [6] (Adjusted after tax profit less capital charge)	**$ 402**	**$ 393**	**$ 392**
% change over prior year	+2.3%	+0.3%	+12.6%

(1) In accordance with SEC's Regulation G, this schedule provides the definition of a non-GAAP measure and the reconciliation to the most closely related GAAP measure. Management believes the presentation of economic profit (EP) provides additional information to investors about current trends in the business. EP is used by management to evaluate business performance and was taken into account in determining management's incentive compensation in fiscal year 2012. EP represents profit generated over and above the cost of paying for assets used by the business to generate that profit.

(2) In the fiscal year 2011 Annual Report to shareholders and in the company's Annual Report on Form 10-K, EP for all fiscal years presented included the results of the Auto Businesses (but excluded the net gain on sale) because this was the method used by the company to calculate EP to determine the amount of short-term compensation for fiscal year 2011. In the current fiscal year, EP calculations for all fiscal years presented exclude the Auto Businesses.

(3) Adjusted after tax profit represents earnings from continuing operations before income taxes, non-cash restructuring-related and asset impairment costs, and interest expense, after tax. The tax rate applied is the effective tax rate on continuing operations before the non-cash goodwill impairment charge for fiscal year 2011, which was 31.4%, 33.8% and 34.7% in fiscal years 2012, 2011 and 2010 respectively. The difference between the fiscal year 2011 effective tax rate on continuing operations before the non-cash goodwill impairment charge and the effective tax rate on continuing operations of 49% is (16.0)% related to the non-deductible non-cash goodwill impairment charge and 0.8% for other tax effects related to excluding this charge.

(4) Total capital employed represents total assets less non-interest bearing liabilities. Adjusted capital employed represents total capital employed adjusted to add back current year non-cash restructuring-related and asset impairment costs and non-cash goodwill impairment. Average capital employed represents a two-point average of adjusted capital employed for the current year and total capital employed for the prior year, based on year-end balances. See below for details of the average capital employed calculation:

	FY12	FY11 (2)	FY10 (2)
Total assets	$ 4,355	$ 4,163	$ 4,548
Adjustments related to the Auto businesses	-	-	(405)
Total assets adjusted for Auto businesses	4,355	4,163	4,143
Less:			
Accounts payable	412	423	409
Accrued liabilities	494	442	491
Income taxes payable	5	41	74
Other liabilities	739	619	677
Deferred income taxes	119	140	19
Non-interest bearing liabilities	1,769	1,665	1,670
Total capital employed	**2,586**	**2,498**	**2,473**
Non-cash restructuring-related and asset impairment costs	4	6	4
Non-cash goodwill impairment	-	258	-
Adjusted capital employed	**$ 2,590**	**$ 2,762**	**$ 2,477**
Average capital employed	**$ 2,544**	**$ 2,618**	**$ 2,525**

(5) Capital charge represents average capital employed multiplied by the weighted-average cost of capital. The weighted-average cost of capital used to calculate capital charge was 9% for all fiscal years presented.

(6) EP represents earnings from continuing operations before income taxes, non-cash restructuring-related and asset impairment costs, non-cash goodwill impairment and interest expense, after tax, less a capital charge (as defined above).