

VALENS RESEARCH

UAFRS Performance and Valuation Prime Adjusting From As-Reported to Economic Reality

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Fixing the financial reporting disaster of GAAP and IFRS: Uniform Adjusted Financial Reporting Standards

- Earnings
- Book Assets
- ROE, RONA, ROA
- CAPX
- Price
- Price-to-Book
- Price-to-earnings

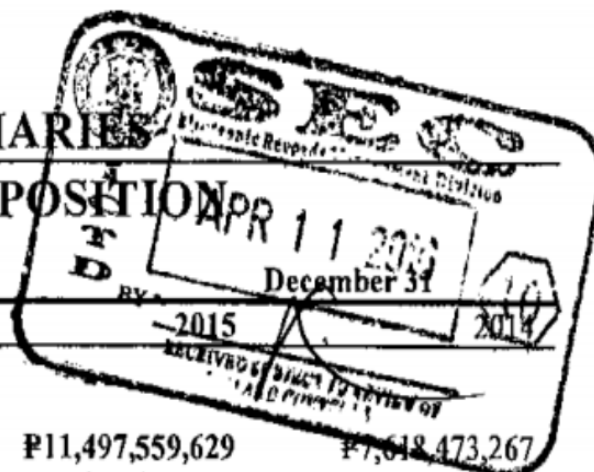
Fixing the financial reporting disaster of GAAP and IFRS: Uniform Adjusted Financial Reporting Standards

- Earnings $\rightarrow E'$ = UAFRS earnings
- Book Assets $\rightarrow A'$ = UAFRS assets
- ROE, RONA, ROA $\rightarrow ROA'$ (UAFRS-adjusted)
- CAPX \rightarrow Asset' Growth (UAFRS-adjusted CAPX)
- Price \rightarrow Enterprise value, V' (UAFRS-adjusted)
- Price-to-Book $\rightarrow V/A'$ (UAFRS-based P/B)
- Price-to-earnings $\rightarrow V/E'$ (UAFRS-based P/E)

From inconsistent to consistent financial reporting

- ▶ Automated Adjustments
- ▶ Manual Adjustments
- ▶ Materiality versus Resources

JOLLIBEE FOODS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION



ASSETS

Current Assets

Cash and cash equivalents (Notes 6, 30 and 31)	P11,497,559,629	P7,618,473,267
Short-term investments (Notes 6, 30 and 31)	922,317,012	-
Receivables (Notes 7, 30 and 31)	5,432,775,539	7,937,404,797
Inventories (Note 8)	5,478,416,309	5,971,813,991
Derivative asset (Note 18)	9,868,242	-
Other current assets (Note 9)	3,828,229,080	2,493,699,399
Total Current Assets	27,169,165,811	24,021,391,454

Noncurrent Assets

Available-for-sale financial assets (Notes 10, 30 and 31)	21,462,462	21,479,461
Interests in and advances to joint ventures, co-venturers and an associate (Note 11)	8,449,310,264	3,388,902,606
Property, plant and equipment (Note 12)	14,547,151,906	13,363,567,166
Investment properties (Note 13)	998,113,493	1,025,645,035
Goodwill and other intangible assets (Note 14)	9,412,134,199	9,385,110,293
Operating lease receivables (Notes 29, 30 and 31)	12,516,788	21,089,606
Derivative asset (Note 11)	75,031,052	-
Deferred tax assets - net (Note 24)	1,408,488,536	751,965,318
Other noncurrent assets (Notes 15, 30 and 31)	2,669,673,900	2,139,528,661
Total Noncurrent Assets	37,593,882,600	30,097,288,146
	P64,763,048,411	P54,118,679,600

LIABILITIES AND EQUITY**Current Liabilities**

Trade payables and other current liabilities (Notes 16, 30 and 31)	₱19,527,045,864	₱16,295,665,174
Income tax payable	235,980,000	181,829,126
Short-term debt (Notes 18, 30 and 31)	282,360,000	1,865,000,000
Current portion of:		
Long-term debt (Notes 18, 30 and 31)	927,916,273	715,520,000
Liability for acquisition of businesses (Notes 11, 30 and 31)	94,852,231	32,906,018
Total Current Liabilities	21,068,154,368	19,090,920,318

Noncurrent Liabilities

Provisions (Note 17)	30,500,639	30,500,639
Noncurrent portion of:		
Long-term debt (Notes 18, 30 and 31)	8,790,712,333	4,428,012,970
Liability for acquisition of businesses (Notes 11, 30 and 31)	-	101,064,311
Pension liability (Note 25)	1,466,530,394	832,390,250
Operating lease payables (Notes 29, 30 and 31)	1,615,639,498	1,544,846,191
Derivative liability (Notes 18, 30 and 31)	34,921,275	1,545,472
Deferred tax liabilities - net (Note 24)	-	11,377,928
Total Noncurrent Liabilities	11,938,304,139	6,949,737,761
Total Liabilities	33,006,458,507	26,040,658,079

Equity Attributable to Equity Holders of the Parent Company (Note 30)		
Capital stock (Note 19)	1,086,149,410	1,081,040,314
Subscriptions receivable (Note 19)	(17,177,884)	(17,177,884)
Additional paid-in capital (Note 19)	5,055,293,439	4,452,162,323
Cumulative translation adjustments of foreign subsidiaries and share in cumulative translation adjustment of an interest in a joint venture	107,225,186	(25,789,376)
Remeasurement loss on net defined benefit plan - net of tax	(536,579,937)	(219,900,060)
Comprehensive loss on derivative liability (Note 18)	(35,449,264)	(2,395,155)
Excess of cost over the carrying value of non-controlling interests acquired (Note 19)	(542,764,486)	(542,764,486)
Retained earnings (Notes 19 and 30):		
Appropriated for future expansion	10,200,000,000	10,200,000,000
Unappropriated	15,487,039,084	12,445,662,470
	30,803,735,548	27,370,838,146
Less cost of common stock held in treasury (Note 19)	180,511,491	180,511,491
	30,623,224,057	27,190,326,655
Non-controlling Interests	1,133,365,847	887,694,866
Total Equity	31,756,589,904	28,078,021,521
	₱64,763,048,411	₱54,118,679,600

See accompanying Notes to Consolidated Financial Statements.

REVENUES			
Net sales	P95,810,688,792	P86,209,777,710	P76,313,489,585
Royalty, franchise fees and others (Note 20)	4,969,028,967	4,461,460,490	3,969,279,614
	100,779,717,759	90,671,238,200	80,282,769,199
COST OF SALES (Note 21)	82,891,701,255	73,727,792,141	65,284,763,064
GROSS PROFIT	17,888,016,504	16,943,446,059	14,998,006,135
EXPENSES			
General and administrative expenses (Note 22)	10,288,042,741	8,953,711,295	7,427,887,196
Advertising and promotions	2,244,943,336	1,852,967,633	1,639,022,544
	12,532,986,077	10,806,678,928	9,066,909,740
INTEREST INCOME (EXPENSE) (Note 23)			
Interest income	257,783,585	242,045,341	245,573,808
Interest expense	(225,544,319)	(152,471,253)	(152,920,028)
	32,239,266	89,574,088	92,653,780
EQUITY IN NET LOSSES OF JOINT VENTURES AND AN ASSOCIATE (Note 11)			
	(189,085,967)	(126,174,100)	(115,560,608)
OTHER INCOME (Note 23)	1,236,757,580	659,303,926	337,325,031
INCOME BEFORE INCOME TAX	6,434,941,306	6,759,471,045	6,245,514,598
PROVISION FOR INCOME TAX (Note 24)			
Current	1,926,077,984	1,694,768,550	1,521,966,682
Deferred	(537,470,070)	(424,239,011)	741,389
	1,388,607,914	1,270,529,539	1,522,708,071
NET INCOME	5,046,333,392	5,488,941,506	4,722,806,527
OTHER COMPREHENSIVE INCOME (LOSS)			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>			
Cumulative translation adjustments of foreign subsidiaries and share in cumulative translation adjustment of interests in joint ventures			
	144,873,513	(76,062,317)	414,851,757
Comprehensive gain (loss) on derivative asset or liability (Note 18)	(31,463,561)	1,882,127	6,806,839
Unrealized loss on available-for-sale financial assets	-	-	(102,626,829)
	113,409,952	(74,180,190)	319,031,767
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</i>			
Remeasurement gains (losses) on pension (Note 25)	(421,504,400)	358,528,285	(350,596,093)
Income tax effect (Note 24)	104,824,523	(106,374,133)	103,199,623
	(316,679,877)	252,154,152	(247,396,470)
	(203,269,925)	177,973,962	71,635,297
TOTAL COMPREHENSIVE INCOME	P4,843,063,467	P5,666,915,468	P4,794,441,824
Net Income Attributable to:			
Equity holders of the Parent Company (Note 28)	P4,928,236,228	P5,361,978,768	P4,671,559,394
Non-controlling interests	118,097,164	126,962,738	51,247,133
	P5,046,333,392	P5,488,941,506	P4,722,806,527

JOLLIBEE FOODS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2015	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	P6,434,941,306	P6,759,471,045	P6,245,514,598
Adjustments for:			
Depreciation and amortization (Notes 12, 13, 14, 21 and 22)	3,425,676,922	3,186,379,730	3,072,455,820
Interest income (Note 23)	(257,783,585)	(242,045,341)	(245,573,808)
Interest expense (Note 23)	225,544,319	152,471,253	152,920,028
Movement in pension liability (Notes 21, 22 and 25)	212,635,742	187,283,727	86,990,769
Equity in net losses of joint ventures and an associate (Note 11)	189,085,967	126,174,100	115,560,608
Stock options expense (Notes 22 and 26)	173,211,693	166,490,888	150,418,741
Loss on disposals and retirements of property, plant and equipment and investment properties (Notes 12, 13 and 22)	136,746,521	156,615,427	446,158,983
Impairment losses on:			
Receivables (Notes 7 and 22)	325,907,626	36,301,470	34,007,984
Inventories (Notes 8 and 22)	11,048,562	11,066,386	9,367,464
Property, plant and equipment, investment properties and security and other deposits (Notes 12, 13 and 22)	-	2,000,000	-
Reversals of impairment losses on:			
Receivables (Notes 7 and 22)	(4,605,656)	(868,308)	-
Inventories (Notes 8 and 22)	(12,047,290)	(8,489,305)	-
Property, plant and equipment, investment properties and security and other deposits (Notes 12, 13 and 22)	-	(62,647,298)	(13,300,000)
Deferred rent amortization – net	79,366,125	(24,047,625)	110,196,300
Net unrealized foreign exchange loss (gain)	(31,602,975)	6,320,479	(34,235,766)
Write off of AFS financial asset	-	-	4,343,148
Income before working capital changes	10,908,125,277	10,452,476,628	10,134,824,869
Decreases (increases) in:			
Receivables	2,269,039,596	(4,329,136,233)	(517,755,507)
Inventories	494,396,411	(2,413,958,938)	(940,056,121)
Other current assets	(1,510,842,807)	(1,288,316,588)	(447,087,313)
Increases in trade payables and other current liabilities	2,976,473,345	1,794,597,130	2,041,413,463
Net cash generated from operations	15,137,191,822	4,215,661,999	10,271,339,391
Interest received	219,845,694	212,872,623	224,956,889
Income taxes paid	(1,871,927,109)	(1,667,683,961)	(1,446,921,723)
Net cash provided by operating activities	13,485,110,407	2,760,850,661	9,049,374,557

CASH FLOWS FROM INVESTING ACTIVITIES

Acquisitions of:

Interest in a joint ventures (Note 11)	(5,057,543,417)	(74,998,875)	(103,608,000)
Property, plant and equipment (Note 12)	(4,596,786,547)	(5,045,474,419)	(3,907,875,891)
Short-term investments	(922,317,012)	-	-
Intangible assets (Note 14)	(99,980,421)	(318,736,601)	(267,270,178)
Market entry fee (Notes 11 and 15)	(93,870,000)	-	-
Investment property (Note 13)	-	(277,484,623)	-
Available-for-sale financial assets	-	-	(300,000)
Proceeds from disposals of property, plant and equipment and investment properties	46,049,000	291,195,603	50,662,989
Decrease (increase) in other noncurrent assets	(89,368,653)	(270,947,498)	109,573,188
Net cash used in investing activities	(10,813,817,050)	(5,696,446,413)	(4,118,817,892)

	Years Ended December 31		
	2015	2014	2013
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of:			
Short-term debt (Note 18)	(9,191,000,000)	-	-
Cash dividends (Note 19)	(1,899,665,609)	(1,560,657,861)	(3,232,637,120)
Long-term debt (Note 18)	(734,360,000)	(1,096,987,500)	(3,149,351,766)
Liability for acquisition of businesses (Note 11)	(87,775,326)	(109,920,000)	(149,814,984)
Proceeds from:			
Short-term debt (Note 18)	P7,594,200,000	P1,865,000,000	P-
Long-term debt (Note 18)	5,176,600,000	1,053,535,000	2,582,580,000
Issuances of and subscriptions to capital stock	435,028,519	657,386,344	210,907,795
Interest paid	(188,647,612)	(123,473,583)	(141,263,440)
Contributions from non-controlling interests	177,627,620	-	29,416,042
Dividends paid to non-controlling interests	(63,503,302)	(40,228,716)	(30,000,000)
Net cash provided by (used in) financing activities	1,218,504,290	644,653,684	(3,880,163,473)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,889,797,647	(2,290,942,068)	1,050,393,192
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(10,711,285)	5,538,267	4,892,292
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	7,618,473,267	9,903,877,068	8,848,591,584
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)	P11,497,559,629	P7,618,473,267	P9,903,877,068

See accompanying Notes to Consolidated Financial Statements.

JOLLIBEE FOODS CORPORATION AND SUBSIDIARIES
NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

Jollibee Foods Corporation (the Parent Company) was incorporated in the Philippines. The Parent Company and its subsidiaries (collectively referred to as “the Jollibee Group”) are involved primarily in the development, operation and franchising of quick service restaurants (QSR) under the trade names “Jollibee”, “Chowking”, “Greenwich”, “Red Ribbon”, “Yong He King”, “Hong Zhuang Yuan”, “Mang Inasal”, “Burger King”, “San Pin Wang”, “Highlands Coffee”, “Pho24”, “12 Hotpot”, “Dunkin’ Donuts” and “Smashburger”. The other activities of the Jollibee Group include manufacturing and property leasing in support of the quick service restaurant systems and other business activities (see Notes 2 and 5).

The common shares of the Parent Company were listed and have been traded in the Philippine Stock Exchange (PSE) beginning July 14, 1993.

The registered office address of the Parent Company is 10/F Jollibee Plaza Building, 10 F. Ortigas Jr. Ave., Ortigas Center, Pasig City.

The consolidated financial statements as at December 31, 2015 and 2014 and for each of the three years in the period ended December 31, 2015, were reviewed and recommended for approval by the Audit Committee as well as approved and authorized for issuance by the Board of Directors (BOD) on April 6, 2016.

2. Basis of Preparation, Statement of Compliance, Changes in Accounting Policies and Basis of Consolidation

Basis of Preparation

The consolidated financial statements of the Jollibee Group have been prepared on a historical cost basis, except for the derivative assets and liabilities and certain available-for-sale (AFS) financial assets, which are measured at fair value. The consolidated financial statements are presented in Philippine peso, which is the Parent Company’s functional and presentation currency.

Judgments

In the process of applying the Jollibee Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements.

Functional Currency. Management has determined that the functional and presentation currency of the Parent Company and its Philippine-based subsidiaries is the Philippine peso, being the currency of the primary environment in which the Parent Company and its major subsidiaries operate. The functional currencies of its foreign operations are determined as the currency in the country where the subsidiary operates. For consolidation purposes, the foreign subsidiaries' balances are translated to Philippine peso which is the Parent Company's functional and presentation currency.

Operating Lease Commitments - Jollibee Group as Lessee. The Jollibee Group has entered into commercial property leases for its QSRs and offices as a lessee. Management has determined, based on an evaluation of the terms and condition of the arrangements that all the significant risks and benefits of ownership of these properties, which the Jollibee Group leases under various lease arrangements, remain with the lessors. Accordingly, the leases are accounted for as operating leases.

Rent expense amounted to ₱7,841.9 million, ₱7,702.7 million and ₱6,287.3 million in 2015, 2014 and 2013, respectively (see Notes 21, 22 and 29).



12. Property, Plant and Equipment

The rollforward analysis of property, plant and equipment are as follows:

2015

	Land and Land Improvements	Plant, Buildings, Condominium Units and Improvements	Leasehold Rights and Improvements	Office, Store and Food Processing Equipment	Furniture and Fixtures	Transportation Equipment	Construction in Progress	Total
<i>(In Thousands)</i>								
Cost								
Balance at beginning of year	P666,643	P2,513,950	P13,266,463	P11,986,533	P988,901	P511,145	P1,275,237	P31,200,872
Additions	-	16,322	740,028	1,030,269	126,336	43,782	2,640,049	4,596,786
Transfers	-	-	4,704	(4,004)	84	-	(784)	-
Retirements and disposals	-	-	(467,053)	(407,990)	(55,888)	(19,738)	(6,677)	(957,346)
Reclassifications (see Note 13)	-	340,641	1,224,413	1,089,394	61,109	6,792	(2,644,460)	77,889
Translation adjustments	3,092	3,048	144,227	65,755	10,495	780	4,533	231,930
Balance at end of year	669,735	2,873,961	14,912,782	13,759,957	1,123,037	542,761	1,267,898	35,150,131
Accumulated Depreciation and Amortization								
Balance at beginning of year	7,420	1,001,352	7,773,154	8,103,470	659,396	298,513	-	17,835,305
Depreciation and amortization (see Notes 21 and 22)	108	98,857	1,610,486	1,432,084	139,774	64,411	-	3,345,648
Transfers	-	-	2,274	(2,238)	(36)	-	-	-
Retirements and disposals	-	-	(325,757)	(378,999)	(54,560)	(15,234)	-	(774,550)
Reclassifications (see Note 13)	-	57,437	(1,461)	1,577	(116)	-	-	57,437
Translation adjustments	-	314	79,497	50,640	6,138	558	-	137,147
Balance at end of year	7,528	1,157,960	9,138,113	9,206,534	750,596	340,248	-	20,600,979
Accumulated Impairment Losses								
Balance at beginning and end of year	-	-	-	2,000	-	-	-	2,080
Net Book Value	P662,207	P1,716,001	P5,774,669	P4,551,423	P372,441	P202,513	P1,267,898	P14,547,152

14. Goodwill and Other Intangible Assets

This account consists of:

	2015	2014
Goodwill	₱6,822,526,341	₱6,822,526,341
Trademark	2,004,255,942	2,004,255,942
Computer software, net of accumulated amortization	559,241,901	536,291,694
Other intangible assets, net of accumulated amortization	26,110,015	22,036,316
	₱9,412,134,199	₱9,385,110,293

Translating, scrubbing, cleaning-up, apples-to-apples

- Earnings or CFFO $\rightarrow E'$ = “Enterprise Earnings”
- Book Assets $\rightarrow A'$ = “Assets of the Enterprise”
- ROE, RONA, ROA $\rightarrow ROA'$
- CAPX \rightarrow Enterprise Asset Growth
- Price \rightarrow Enterprise value, V'
- Price-to-Book $\rightarrow V/A'$
- Price-to-earnings $\rightarrow V/E'$

Translating, scrubbing, cleaning-up, apples-to-apples

- Earnings or CFFO \rightarrow E' = “Enterprise Earnings”
- Book Assets \rightarrow A' = “Assets of the Enterprise”
- ROE, RONA, ROA \rightarrow ROA'
- CAPX \rightarrow Enterprise Asset Growth
- Price \rightarrow Enterprise value, V'
- Price-to-Book \rightarrow V/A'
- Price-to-earnings \rightarrow V/E'

Translating, scrubbing, cleaning-up, apples-to-apples

- Earnings or CFFO $\rightarrow E'$ = “Enterprise Earnings”

- Book Assets $\rightarrow A'$ = “Assets of the Enterprise”

- ROE, RONA, ROA $\rightarrow ROA'$

- CAPX \rightarrow Enterprise Asset Growth

- Price \rightarrow Enterprise value, V'

- Price-to-Book $\rightarrow V/A'$

- Price-to-earnings $\rightarrow V/E'$

VALENS RESEARCH

Worksheet

PSE:JFC

Jollibee Foods Corp.

Consumer Discretionary

Hotels, Restaurants and Leisure

CALCULATIONS FOR ROA' (ADJUSTED RETURN ON ASSETS)

PSE:JFC	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
	12/31/2006	12/31/2007	12/31/2008	12/31/2009	12/31/2010	1/1/2012	12/31/2012	12/31/2013	12/31/2014	12/31/2015
Net Assets'	21,392.4	23,698.1	28,590.0	31,775.7	37,026.0	48,240.5	51,609.6	54,921.1	68,070.8	71,484.2
Earnings'	2,071.1	2,357.6	2,218.1	2,684.8	2,785.8	3,129.9	3,869.5	5,199.2	5,277.6	4,788.4
Earnings' Margin	6.1%	6.1%	5.1%	5.6%	5.2%	5.0%	5.4%	6.5%	5.8%	4.8%
Net Asset' Turns	1.59	1.63	1.54	1.51	1.44	1.30	1.38	1.46	1.33	1.41
Earnings'	2,071.1	2,357.6	2,218.1	2,684.8	2,785.8	3,129.9	3,869.5	5,199.2	5,277.6	4,788.4
Net Assets'	21,392.4	23,698.1	28,590.0	31,775.7	37,026.0	48,240.5	51,609.6	54,921.1	68,070.8	71,484.2
ROA'	9.7%	9.9%	7.8%	8.4%	7.5%	6.5%	7.5%	9.5%	7.8%	6.7%
Growth rate - inflation-distorted	11.8%	10.8%	20.8%	14.0%	16.0%	26.9%	8.5%	6.4%	19.3%	7.3%
GDP Deflator - approximate	4.9%	3.1%	7.5%	2.8%	4.2%	4.0%	1.9%	2.0%	3.3%	2.1%
Real Growth Rate in Gross Assets'	6.9%	7.7%	13.2%	11.2%	11.7%	22.9%	6.6%	4.4%	16.0%	5.2%
Goodwill										
Goodwill	1,601.6	1,601.6	3,186.4	4,205.1	5,986.4	6,530.4	6,822.5	6,822.5	6,822.5	6,822.5
Earnings'	2,071.1	2,357.6	2,218.1	2,684.8	2,785.8	3,129.9	3,869.5	5,199.2	5,277.6	4,788.4
Net Assets'	22,994.0	25,299.7	31,776.3	35,980.9	43,012.4	54,770.9	58,432.2	61,743.6	74,893.3	78,306.7
ROA' wg (with goodwill)	9.0%	9.3%	7.0%	7.5%	6.5%	5.7%	6.6%	8.4%	7.0%	6.1%

CALCULATIONS FOR V/E' AND V/A' (ADJUSTED P/E AND ADJUSTED P/B)

PSE:JFC	2006 12/31/2006	2007 12/31/2007	2008 12/31/2008	2009 12/31/2009	2010 12/31/2010	2011 1/1/2012	2012 12/31/2012	2013 12/31/2013	2014 12/31/2014	2015 12/31/2015
Enterprise Value Prime	50,809.2	61,346.5	55,426.7	70,965.2	114,032.7	124,036.9	137,110.3	217,573.6	273,366.1	276,955.0
Earnings''	1,970.1	2,288.9	2,083.9	2,406.7	2,547.7	2,765.0	3,614.8	5,009.0	5,096.5	4,514.2
Book Equity'	12,514.2	15,130.1	15,557.6	17,655.7	15,003.5	17,934.2	20,939.9	19,510.1	24,064.6	28,785.5
Market Capitalization	41,931.1	52,778.6	42,394.3	56,845.1	92,010.2	93,730.7	106,440.5	182,162.5	229,359.9	234,256.3
V/A' - Enterprise Value/Net Assets'	2.4	2.6	1.9	2.2	3.1	2.6	2.7	4.0	4.0	3.9
P/B' - Market Cap/Book Equity'	3.4	3.5	2.7	3.2	6.1	5.2	5.1	9.3	9.5	8.1
<i>Traditional Tangible P/B Equity</i>	3.8	4.1	3.0	7.4	10.6	8.3	11.1	24.1	20.1	14.6
Forward V/E' - Enterprise Value - Earnings'	21.6	27.7	20.6	25.5	36.4	32.1	26.4	41.2	57.1	42.8
Forward P/E' - Market Cap/Earnings''	21.3	23.1	20.3	23.6	36.1	33.9	29.4	36.4	45.0	51.9
<i>Traditional NTM P/E</i>	16.9	18.0	16.6	19.2	26.4	26.2	26.5	35.3	37.5	36.6
Historic V/E' - Enterprise Value - Earnings'	24.5	26.0	25.0	26.4	40.9	39.6	35.4	41.8	51.8	57.8
Historic P/E' - Market Cap/Earnings''	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>Traditional TTM P/E</i>	21.0	21.2	19.4	22.5	30.9	30.4	29.4	42.2	44.9	42.8
Dividend Yield	1.4%	1.5%	2.0%	1.5%	1.1%	1.2%	1.2%	2.0%	0.8%	0.8%

CALCULATIONS FOR E' (ADJUSTED EARNINGS)

PSE:JFC	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
	12/31/2006	12/31/2007	12/31/2008	12/31/2009	12/31/2010	1/1/2012	12/31/2012	12/31/2013	12/31/2014	12/31/2015
Earnings (Net Income)	2,156.6	2,386.7	2,319.1	2,664.6	3,197.8	3,262.6	3,727.1	4,671.6	5,362.0	4,928.2
Remove: Special Items adjusted after-tax effect	50.9	(24.6)	(2.7)	167.7	365.1	348.5	255.9	100.6	330.9	712.5
Adjust: Recurring Special Items to include in earnings	0.0	0.0	0.0	12.0	7.0	33.9	38.2	7.3	0.0	0.0
Add Back: Depreciation Expense	1,573.8	1,579.6	1,728.9	2,085.9	1,978.0	2,401.6	2,705.6	3,072.5	3,180.6	3,418.2
Add Back: Op Lease Expense	2,137.2	2,391.0	2,902.8	3,542.0	4,092.8	5,131.8	5,895.9	6,287.3	7,072.7	7,841.9
Add Back: R&D Expense	26.6	32.9	49.9	63.0	61.8	70.9	56.8	79.6	77.6	73.0
Add Back: Amortization Expense	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.2	5.8	7.5
Add Back: Interest Expense	80.4	55.5	105.1	218.9	193.2	291.3	206.0	152.9	152.5	225.5
Add Back: Minority Interest Expense	3.5	1.6	2.7	2.3	14.7	22.1	(15.1)	51.2	127.0	118.1
Add Back: Tax Expense	742.8	746.7	889.2	988.3	973.4	1,110.2	1,149.7	1,522.7	1,270.5	1,388.6
Adjust: NOL Tax Shield	0.0	51.7	0.0	0.0	44.8	0.0	0.0	0.0	322.1	134.1
Adjust: Interest Expense Tax Shield	20.6	13.2	29.1	59.2	44.9	73.6	48.7	37.3	28.7	48.7
Subtract: Adjusted Tax Expense	763.4	811.5	918.3	1,047.5	1,063.2	1,183.8	1,198.4	1,560.0	1,621.3	1,571.4
Add Back: Pension and OPEB Costs	154.4	236.1	228.5	247.6	251.0	121.2	382.6	363.1	600.0	312.6
Subtract: Pension and OPEB Service Costs	121.6	166.9	173.9	189.1	186.4	121.2	280.2	319.7	550.4	244.8
Adjust: COGS from FIFO to LIFO	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Adjust: Carrying Cost of Monetary Assets	(135.5)	(143.0)	(208.5)	(163.7)	(163.1)	(179.8)	(270.1)	(245.6)	(242.0)	(257.8)
Add: Gross earnings missing from acquisitions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Subtract: Gross earnings included from divestitures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Subtract: Equity Investment Income	(22.9)	0.0	0.0	0.0	(2.2)	0.3	(51.0)	(115.6)	(126.2)	(189.1)
Add Back: Stock Option Expense (After-Tax)	40.0	84.9	107.1	147.5	65.7	73.6	77.0	150.4	166.5	173.2
Subtract: Capital Grants and Subsidies - Release to P&L	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gross Earnings ¹	5,867.0	6,418.1	7,035.4	8,404.2	9,059.9	10,685.8	12,270.0	14,251.5	15,396.7	15,889.5

CALCULATIONS FOR E' (ADJUSTED EARNINGS)

PSE:JFC	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
	12/31/2006	12/31/2007	12/31/2008	12/31/2009	12/31/2010	1/1/2012	12/31/2012	12/31/2013	12/31/2014	12/31/2015
Gross Earnings'	5,867.0	6,418.1	7,035.4	8,404.2	9,059.9	10,685.8	12,270.0	14,251.5	15,396.7	15,889.5
Maintenance CAPX/Economic Depreciation										
Depreciating Assets	31,916.9	35,354.9	42,762.1	50,759.1	58,414.7	71,037.1	78,987.2	84,038.4	93,964.9	104,682.9
Asset Life	8.4	8.7	8.9	8.9	9.3	9.4	9.4	9.3	9.3	9.4
Subtract: Economic Depreciation (aka Adj. M CAPX)	3,795.9	4,060.5	4,817.3	5,719.4	6,274.1	7,555.9	8,400.5	9,052.3	10,119.0	11,101.1
Earnings'	2,071.1	2,357.6	2,218.1	2,684.8	2,785.8	3,129.9	3,869.5	5,199.2	5,277.6	4,788.4
Share Count	1,002.1	1,019.4	1,029.1	1,032.5	1,039.4	1,043.9	1,060.9	1,071.5	1,082.1	1,088.3
EPS'	2.07	2.31	2.16	2.60	2.68	3.00	3.65	4.85	4.88	4.40
<i>Traditional EPS</i>	2.15	2.34	2.25	2.58	3.08	3.13	3.51	4.36	4.95	4.53
Earnings as a % of Earnings'	104.1%	101.2%	104.6%	99.2%	114.8%	104.2%	96.3%	89.9%	101.6%	102.9%
Adjustment for Equity Earnings'										
Earnings'	2,071.1	2,357.6	2,218.1	2,684.8	2,785.8	3,129.9	3,869.5	5,199.2	5,277.6	4,788.4
Subtract: Interest Expense	80.41	55.47	105.08	218.91	193.20	291.34	206.01	152.92	152.47	225.54
Subtract: Interest Expense Tax Shield	20.57	13.21	29.10	59.19	44.93	73.59	48.72	37.28	28.66	48.67
Earnings''	1,970.12	2,288.92	2,083.94	2,406.70	2,547.70	2,764.99	3,614.81	5,008.98	5,096.51	4,514.21
EPS''	1.97	2.25	2.02	2.33	2.45	2.65	3.41	4.67	4.71	4.15
Earnings as a % of Equity Earnings'	109.5%	104.3%	111.3%	110.7%	125.5%	118.0%	103.1%	93.3%	105.2%	109.2%

CALCULATIONS FOR ADJUSTED NET WORKING CAPITAL

PSE:JFC	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
	12/31/2006	12/31/2007	12/31/2008	12/31/2009	12/31/2010	1/1/2012	12/31/2012	12/31/2013	12/31/2014	12/31/2015
Cash & Short-Term Investments	4,452.4	5,575.9	6,878.9	8,977.3	8,170.5	6,655.3	8,848.6	9,903.9	7,618.5	12,419.9
Excess Cash	2,756.9	3,641.3	4,684.3	6,515.9	5,385.3	3,527.6	5,223.9	5,845.2	3,021.2	7,277.2
Operating Cash & Short-Term Investments	1,695.6	1,934.7	2,194.6	2,461.3	2,785.2	3,127.7	3,624.7	4,058.7	4,597.3	5,142.7
Accounts Receivable	1,488.4	1,818.3	1,805.1	1,754.5	1,837.7	2,388.6	2,454.6	2,853.9	7,270.3	5,055.1
Financial Subsidiary Receivable	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Accounts Receivable - Adj	1,488.4	1,818.3	1,805.1	1,754.5	1,837.7	2,388.6	2,454.6	2,853.9	7,270.3	5,055.1
Inventory	1,266.3	1,629.4	2,727.5	1,729.4	2,134.5	2,860.1	2,629.7	3,560.4	5,971.8	5,478.4
LIFO Reserve	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Inventory - Adj	1,266.3	1,629.4	2,727.5	1,729.4	2,134.5	2,860.1	2,629.7	3,560.4	5,971.8	5,478.4
Other Current Assets	450.9	1,142.8	517.1	240.2	784.4	1,354.9	662.8	953.1	1,679.4	2,466.8
Prepaid Expenses	221.3	222.3	395.8	509.9	519.0	0.0	751.4	909.5	1,191.2	1,526.0
Other Receivables	626.3	20.3	441.0	671.1	126.5	175.3	276.0	203.5	290.3	223.0
Other Current Assets - Adj	1,298.5	1,385.4	1,353.9	1,421.1	1,429.8	1,530.2	1,690.2	2,066.0	3,160.8	4,215.7
Current Assets	5,748.8	6,767.8	8,081.1	7,366.4	8,187.2	9,906.7	10,399.3	12,539.0	21,000.2	19,891.9
Accounts Payable	2,813.7	2,257.3	3,508.7	3,720.4	3,601.6	10,165.6	4,717.1	6,006.6	6,575.9	9,433.8
Income Taxes Payable	8.9	83.7	82.5	135.9	167.8	154.7	79.0	154.7	181.8	236.0
Accrued Expenses, Total	1,762.3	2,294.2	2,491.7	4,508.9	4,886.9	0.0	5,986.5	7,256.6	8,543.0	8,669.6
Other Current Liabilities	1,731.5	2,721.2	2,421.3	909.9	854.4	104.8	1,265.9	1,094.4	1,209.7	1,518.6
Current Pension Liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Current Postretirement Liability	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Current Pension/Postretirement Liability	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Current Liabilities	3,493.8	5,015.4	4,913.0	5,418.8	5,741.3	104.8	7,252.4	8,351.0	9,752.7	10,188.1
Non Current Unearned Revenue	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Current Liabilities	6,316.3	7,356.4	8,504.3	9,275.1	9,510.6	10,425.1	12,048.4	14,512.3	16,510.4	19,857.9
Net Working Capital	(567.5)	(588.6)	(423.2)	(1,908.7)	(1,323.4)	(518.4)	(1,649.1)	(1,973.3)	4,489.8	34.1

CALCULATIONS FOR NON-DEPRECIATING ASSETS

PSE:JFC	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
	12/31/2006	12/31/2007	12/31/2008	12/31/2009	12/31/2010	1/1/2012	12/31/2012	12/31/2013	12/31/2014	12/31/2015
Net Working Capital	(567.5)	(588.6)	(423.2)	(1,908.7)	(1,323.4)	(518.4)	(1,649.1)	(1,973.3)	4,489.8	34.1
Land	724.7	732.1	670.9	651.0	657.2	679.3	1,329.8	1,333.8	1,642.7	1,645.6
Revaluations of Land	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Land & Improvements	724.7	732.1	670.9	651.0	657.2	679.3	1,329.8	1,333.8	1,642.7	1,645.6
Inflation Adjustment	164.0	158.6	169.0	176.4	187.9	184.8	305.3	266.7	329.0	280.8
Inflation Adjusted Land & Improvements	888.7	890.7	839.9	827.4	845.1	864.0	1,635.1	1,600.5	1,971.6	1,926.4
LT Investments @ Cost	0.0	46.2	76.8	155.2	179.1	123.8	1,262.6	1,143.7	1,092.5	5,922.5
Other Assets	1,921.0	2,183.0	2,515.9	2,401.6	2,455.6	5,272.6	4,231.3	4,870.9	5,230.4	6,713.9
Pension Assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Postretirement Assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Pension Deferred Tax Assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Assets Adjusted for Pensions	1,921.0	2,183.0	2,515.9	2,401.6	2,455.6	5,272.6	4,231.3	4,870.9	5,230.4	6,713.9
Non-Depreciating Intangible Assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Non-Depreciating Assets	2,242.2	2,531.3	3,009.5	1,475.5	2,156.3	5,742.1	5,479.9	5,641.8	12,784.4	14,597.0
Total Non-Depreciating Assets (w/o LT Invest)	2,242.2	2,485.1	2,932.7	1,320.3	1,977.2	5,618.2	4,217.3	4,498.1	11,691.8	8,674.5

CALCULATIONS FOR DEPRECIATING ASSETS

PSE:JFC	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
	12/31/2006	12/31/2007	12/31/2008	12/31/2009	12/31/2010	1/1/2012	12/31/2012	12/31/2013	12/31/2014	12/31/2015
GDP Deflator Adjusted Gross PP&E w/CIP	16,240.8	17,264.6	20,412.9	23,479.6	25,543.5	29,501.4	31,288.5	33,719.6	37,389.8	41,160.0
Capitalized Operating Leases	15,570.6	17,963.9	22,184.3	27,069.4	32,615.7	41,236.8	47,376.7	49,970.0	56,212.2	63,147.9
Capitalized Research & Development	105.5	126.5	164.9	210.2	255.5	299.0	322.0	348.7	363.0	375.1
Intangibles Included in Depreciating Assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Depreciating Assets	31,916.9	35,354.9	42,762.1	50,759.1	58,414.7	71,037.1	78,987.2	84,038.4	93,964.9	104,682.9

CALCULATIONS FOR NET ASSETS' (ADJUSTED TOTAL ASSETS)

PSE:JFC	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
	12/31/2006	12/31/2007	12/31/2008	12/31/2009	12/31/2010	1/1/2012	12/31/2012	12/31/2013	12/31/2014	12/31/2015
Total Non-Depreciating Assets (w/o LT Invest)	2,242.2	2,485.1	2,932.7	1,320.3	1,977.2	5,618.2	4,217.3	4,498.1	11,691.8	8,674.5
Total Depreciating Assets	31,916.9	35,354.9	42,762.1	50,759.1	58,414.7	71,037.1	78,987.2	84,038.4	93,964.9	104,682.9
Total Assets'	34,159.1	37,840.0	45,694.8	52,079.4	60,391.9	76,655.4	83,204.5	88,536.5	105,656.8	113,357.4
Accumulated Depreciation'	12,766.8	14,142.0	17,104.8	20,303.6	23,365.9	28,414.9	31,594.9	33,615.4	37,586.0	41,873.2
Net Assets'	21,392.4	23,698.1	28,590.0	31,775.7	37,026.0	48,240.5	51,609.6	54,921.1	68,070.8	71,484.2

CALCULATIONS FOR EXCESS CASH

PSE:JFC	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
	12/31/2006	12/31/2007	12/31/2008	12/31/2009	12/31/2010	1/1/2012	12/31/2012	12/31/2013	12/31/2014	12/31/2015
Excess Cash (2* Median R&D Expense)	43.8	53.2	65.7	99.8	123.7	126.0	123.7	141.8	155.2	155.2
Current Unearned Revenue	0.0	0.0	0.0	67.2	123.1	0.0	75.9	47.6	67.6	108.8
LT Unearned Revenue	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Unearned COGS	0.0	0.0	0.0	63.4	116.6	0.0	71.7	44.5	63.7	103.7
Revenue	33,911.2	38,693.7	43,891.6	47,957.7	53,371.7	62,554.9	71,059.0	80,282.8	90,671.2	100,779.7
5% of Revenue	1,695.6	1,934.7	2,194.6	2,397.9	2,668.6	3,127.7	3,553.0	4,014.1	4,533.6	5,039.0
Total cash per the financials	4,452.4	5,575.9	6,878.9	8,977.3	8,170.5	6,655.3	8,848.6	9,903.9	7,618.5	12,419.9
Excess Cash (formula e.g. 4x R&D, etc.)	2,756.9	3,641.3	4,684.3	6,515.9	5,385.3	3,527.6	5,223.9	5,845.2	3,021.2	7,277.2
Cash restated for the GIC calculation (Curr assets)	1,695.6	1,934.7	2,194.6	2,461.3	2,785.2	3,127.7	3,624.7	4,058.7	4,597.3	5,142.7
Other non-operating assets manually removed above	0.0	46.2	76.8	155.2	179.1	123.8	1,262.6	1,143.7	1,092.5	5,922.5
Value of total non-operating cash/assets	2,756.9	3,687.4	4,761.0	6,671.2	5,564.4	3,651.4	6,486.5	6,988.9	4,113.8	13,199.8

CALCULATIONS FOR ASSET LIFE

PSE:JFC	2006 12/31/2006	2007 12/31/2007	2008 12/31/2008	2009 12/31/2009	2010 12/31/2010	2011 1/1/2012	2012 12/31/2012	2013 12/31/2013	2014 12/31/2014	2015 12/31/2015
PP&E Growth Rate										
Historic Organic Growth Rate of Combined Entity									0.1	11.0%
Implied CAPX										
Gross PP&E (excluding Land, CIP)	13,012.5	14,063.7	16,157.9	18,313.6	19,703.1	22,663.1	25,208.1	27,644.0	30,088.5	34,077.2
Depreciation Expense	1,573.8	1,579.6	1,728.9	2,085.9	1,978.0	2,401.6	2,705.6	3,072.5	3,180.6	3,418.2
Estimated Life of PP&E	8.3	8.9	9.3	8.8	10.0	9.4	9.3	9.0	9.5	10.0
Implied Maintenance Capex (Deflated Depreciation Expense)	1,929.6	1,916.9	2,155.1	2,624.4	2,524.6	3,055.0	3,325.6	3,685.3	3,820.3	3,990.5
Estimated Life of PP&E (3 year median)	8.4	8.7	8.9	8.9	9.3	9.4	9.4	9.3	9.3	9.5
Estimated Life of Leased Assets	8.4	8.7	8.9	8.9	9.3	9.4	9.4	9.3	9.3	9.5
Estimated Life of R&D	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Economic PP&E depreciation (PP&E/Life)	1,927.2	1,977.6	2,292.7	2,637.1	2,733.1	3,126.2	3,315.6	3,619.2	4,013.1	4,350.9
Economic Cap. Leases depr. (Cap. Rent/life of leases)	1,847.7	2,057.7	2,491.6	3,040.3	3,489.8	4,369.8	5,020.5	5,363.4	6,033.3	6,675.2
Economic R&D Depr (Cap. R&D/Life)	21.1	25.3	33.0	42.0	51.1	59.8	64.4	69.7	72.6	75.0
Sum of Economic depreciation	3,795.9	4,060.5	4,817.3	5,719.4	6,274.1	7,555.9	8,400.5	9,052.3	10,119.0	11,101.1
Harmonic mean of estimated lives	8.4	8.7	8.9	8.9	9.3	9.4	9.4	9.3	9.3	9.4
Net PP&E/Gross PP&E Ratio	46.5	47.0	45.9	40.9	40.1	40.7	40.5	39.5	39.9	38.7
Implied Average Age of Assets	4.5	4.6	4.8	5.3	5.6	5.6	5.6	5.6	5.6	5.8
Two-year moving average of implied age	4.5	4.6	4.7	5.0	5.4	5.6	5.6	5.6	5.6	5.7
NP/GP Implied End of Year Accumulated Depreciation Balance	6,964.1	7,459.0	8,738.2	10,818.0	11,795.2	13,434.8	14,998.8	16,734.4	18,072.9	20,886.2
Annual depreciation expense										
Less: retired accumulated depreciation										
Calculated end of year accumulated depreciation	6,964.1	7,459.0	8,738.2	10,818.0	11,795.2	13,434.8	14,998.8	16,734.4	18,072.9	20,886.2

CALCULATIONS FOR DEPR ASSETS/LAND

PSE:JFC	2006 12/31/2006	2007 12/31/2007	2008 12/31/2008	2009 12/31/2009	2010 12/31/2010	2011 1/1/2012	2012 12/31/2012	2013 12/31/2013	2014 12/31/2014	2015 12/31/2015
Calculation: GDP Deflator Adjusted Gross PP&E										
Gross PP&E	14,020.9	14,950.0	17,013.1	19,168.6	20,565.7	24,015.2	26,830.6	29,525.8	33,006.4	36,990.7
Less: Land	724.7	732.1	670.9	651.0	657.2	679.3	1,329.8	1,333.8	1,642.7	1,645.6
Less: Construction in Progress	283.7	154.2	184.3	203.9	205.5	672.8	292.8	548.0	1,275.2	1,267.9
Plus: Cumulative PP&E recaptured	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gross PP&E Adjusted:	13,012.5	14,063.7	16,157.9	18,313.6	19,703.1	22,663.1	25,208.1	27,644.0	30,088.5	34,077.2
Net PP&E	7,056.8	7,491.0	8,274.9	8,350.6	8,770.5	10,580.4	11,831.9	12,791.4	14,933.5	16,104.5
Less: Land	724.7	732.1	670.9	651.0	657.2	679.3	1,329.8	1,333.8	1,642.7	1,645.6
Less: Construction in Progress	283.7	154.2	184.3	203.9	205.5	672.8	292.8	548.0	1,275.2	1,267.9
Plus: Cumulative PP&E recaptured	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net PP&E Adjusted:	6,048.3	6,604.7	7,419.7	7,495.6	7,907.9	9,228.3	10,209.3	10,909.6	12,015.6	13,191.0
Asset Life (three-yr median of depr. Implied)	8.4	8.7	8.9	8.9	9.3	9.4	9.4	9.3	9.3	9.5
NP/GP Ratio	46.5	47.0	45.9	40.9	40.1	40.7	40.5	39.5	39.9	38.7
Implied Average Age of Assets	4.5	4.6	4.8	5.3	5.6	5.6	5.6	5.6	5.6	5.8
Two-year moving average of implied age	4.5	4.6	4.7	5.0	5.4	5.6	5.6	5.6	5.6	5.7
GDP Deflator	4.95%	3.09%	7.55%	2.77%	4.22%	4.02%	1.90%	1.98%	3.56%	3.57%
Average GDP Deflator given life of assets	4.63%	4.33%	4.78%	4.66%	4.60%	4.40%	3.75%	3.28%	3.32%	2.75%
GDP Deflator Adjustment	2,944.6	3,046.6	4,070.7	4,962.0	5,635.0	6,165.4	5,787.6	5,527.6	6,026.0	5,814.9
GDP Deflator Adj'd PP&E w/o CIP	15,957.1	17,110.3	20,228.6	23,275.7	25,338.1	28,828.6	30,995.7	33,171.6	36,114.5	39,892.1
Add back Construction In Progress	283.7	154.2	184.3	203.9	205.5	672.8	292.8	548.0	1,275.2	1,267.9
GDP Deflator Adjusted Gross PP&E	16,240.8	17,264.6	20,412.9	23,479.6	25,543.5	29,501.4	31,288.5	33,719.6	37,389.8	41,160.0
Growth		6.3%	18.2%	15.0%	8.8%	15.5%	6.1%	7.8%	10.9%	10.1%
Land	724.7	732.1	670.9	651.0	657.2	679.3	1,329.8	1,333.8	1,642.7	1,645.6
GDP Deflator Factor for PP&E (assumed for land)	1.2	1.2	1.3	1.3	1.3	1.3	1.2	1.2	1.2	1.2
GDP Deflator Adj'd Land	888.7	890.7	839.9	827.4	845.1	864.0	1,635.1	1,600.5	1,971.6	1,926.4

CALCULATIONS FOR CAPITALIZED OPERATING LEASES

PSE:JFC	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
	12/31/2006	12/31/2007	12/31/2008	12/31/2009	12/31/2010	1/1/2012	12/31/2012	12/31/2013	12/31/2014	12/31/2015
Op Lease expense	2,137.2	2,391.0	2,902.8	3,542.0	4,092.8	5,131.8	5,895.9	6,287.3	7,072.7	7,841.9
Estimated life of assets being leased (NOT the life of the lease but of the asset leased)	8.4	8.7	8.9	8.9	9.3	9.4	9.4	9.3	9.3	9.5
Estim. REAL secured debt rate (e.g. A- rated bond rate after before inflation)	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%
Capitalized Operating Leases (estimate if current gross value of leased assets had they been purchased)	15,570.6	17,963.9	22,184.3	27,069.4	32,615.7	41,236.8	47,376.7	49,970.0	56,212.2	63,147.9
<u>Debt value of capitalized operating leases</u>										
Op Lease expense taken out of ROa and free cash flows	2,137.2	2,391.0	2,902.8	3,542.0	4,092.8	5,131.8	5,895.9	6,287.3	7,072.7	7,841.9
Economic depreciation recaptured through life of capitalized operating leases	1,847.7	2,057.7	2,491.6	3,040.3	3,489.8	4,369.8	5,020.5	5,363.4	6,033.3	6,675.2
Annual claim lessors have on the EV of the firm	289.5	333.3	411.2	501.7	603.0	762.0	875.4	923.9	1,039.4	1,166.7
Cap. Lease Debt: Present value of all future claims	9,048.3	10,416.5	12,849.2	15,678.6	18,842.6	23,811.8	27,357.2	28,872.9	32,479.7	36,459.8
Percent of Capitalized Operating Leases	58.1%	58.0%	57.9%	57.9%	57.8%	57.7%	57.7%	57.8%	57.8%	57.7%

CALCULATIONS FOR CAPITALIZED RESEARCH AND DEVELOPMENT

PSE:JFC	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
	12/31/2006	12/31/2007	12/31/2008	12/31/2009	12/31/2010	1/1/2012	12/31/2012	12/31/2013	12/31/2014	12/31/2015
R&D expense	26.6	32.9	49.9	63.0	61.8	70.9	56.8	79.6	77.6	73.0
Estimated life of R&D	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Multiple-based capitalization of R&D	133.0	164.3	249.5	314.9	309.2	354.6	283.8	398.0	388.0	365.0
MANUAL FORMULA changes after X yrs.	94.9	115.9	149.9	194.3	234.2	278.5	302.4	332.1	346.7	357.9
GDP Deflator adjustment factor	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.0	1.0
GDP Deflator Adjusted Capitalized R&D	105.5	126.5	164.9	210.2	255.5	299.0	322.0	348.7	363.0	375.1

CALCULATIONS FOR EV' (ADJUSTED ENTERPRISE VALUE)

PSE:JFC	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
	12/31/2006	12/31/2007	12/31/2008	12/31/2009	12/31/2010	1/1/2012	12/31/2012	12/31/2013	12/31/2014	12/31/2015
Book Value of Debt	228.1	300.9	2,929.4	2,796.7	4,234.7	5,620.0	5,450.2	5,173.8	7,010.1	10,035.9
+ Operating Lease Debt	9,048.3	10,416.5	12,849.2	15,678.6	18,842.6	23,811.8	27,357.2	28,872.9	32,479.7	36,459.8
+ Other Long Term Liabilities	1,262.2	1,069.0	1,079.4	1,040.7	1,338.7	1,552.7	1,641.9	1,728.6	1,676.4	1,646.1
+ Preferred Stock	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
+ Pension Obligations	778.2	463.6	453.8	240.7	163.7	0.0	521.6	932.8	832.4	1,466.5
+ Stock Option Claims	296.7	0.0	478.3	1,031.3	2,445.3	2,269.4	1,452.2	4,879.8	5,233.7	5,156.8
Total Debt'	11,613.5	12,250.0	17,790.1	20,788.0	27,025.0	33,254.0	36,423.1	41,587.9	47,232.3	54,765.1
Add: Minority Interest	21.5	5.4	3.3	3.2	561.9	703.7	733.1	812.1	887.7	1,133.4
Add: Market Cap	41,931.1	52,778.6	42,394.3	56,845.1	92,010.2	93,730.7	106,440.5	182,162.5	229,359.9	234,256.3
Subtract: Non-Operating EV (excess cash)	2,756.9	3,687.4	4,761.0	6,671.2	5,564.4	3,651.4	6,486.5	6,988.9	4,113.8	13,199.8
Enterprise Value Prime	50,809.2	61,346.5	55,426.7	70,965.2	114,032.7	124,036.9	137,110.3	217,573.6	273,366.1	276,955.0

VALENS RESEARCH

Worksheet

PSE:JFC

Jollibee Foods Corp.

Consumer Discretionary

Hotels, Restaurants and Leisure

Translating, scrubbing, cleaning-up, apples-to-apples

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- Book Assets \rightarrow A' = “Assets of the Enterprise”
- ROE, RONA, ROA \rightarrow ROA'
- CAPX \rightarrow Enterprise Asset Growth
- Price \rightarrow Enterprise value, V'
- Price-to-Book \rightarrow V/A'
- Price-to-earnings \rightarrow V/E'

CALCULATIONS FOR ROA' (ADJUSTED RETURN ON ASSETS)

PSE:JFC	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
	12/31/2006	12/31/2007	12/31/2008	12/31/2009	12/31/2010	1/1/2012	12/31/2012	12/31/2013	12/31/2014	12/31/2015
Net Assets'	21,392.4	23,698.1	28,590.0	31,775.7	37,026.0	48,240.5	51,609.6	54,921.1	68,070.8	71,484.2
Earnings'	2,071.1	2,357.6	2,218.1	2,684.8	2,785.8	3,129.9	3,869.5	5,199.2	5,277.6	4,788.4
Earnings' Margin	6.1%	6.1%	5.1%	5.6%	5.2%	5.0%	5.4%	6.5%	5.8%	4.8%
Net Asset' Turns	1.59	1.63	1.54	1.51	1.44	1.30	1.38	1.46	1.33	1.41
Earnings'	2,071.1	2,357.6	2,218.1	2,684.8	2,785.8	3,129.9	3,869.5	5,199.2	5,277.6	4,788.4
Net Assets'	21,392.4	23,698.1	28,590.0	31,775.7	37,026.0	48,240.5	51,609.6	54,921.1	68,070.8	71,484.2
ROA'	9.7%	9.9%	7.8%	8.4%	7.5%	6.5%	7.5%	9.5%	7.8%	6.7%
Growth rate - inflation-distorted	11.8%	10.8%	20.8%	14.0%	16.0%	26.9%	8.5%	6.4%	19.3%	7.3%
GDP Deflator - approximate	4.9%	3.1%	7.5%	2.8%	4.2%	4.0%	1.9%	2.0%	3.3%	2.1%
Real Growth Rate in Gross Assets'	6.9%	7.7%	13.2%	11.2%	11.7%	22.9%	6.6%	4.4%	16.0%	5.2%
Goodwill										
Goodwill	1,601.6	1,601.6	3,186.4	4,205.1	5,986.4	6,530.4	6,822.5	6,822.5	6,822.5	6,822.5
Earnings'	2,071.1	2,357.6	2,218.1	2,684.8	2,785.8	3,129.9	3,869.5	5,199.2	5,277.6	4,788.4
Net Assets'	22,994.0	25,299.7	31,776.3	35,980.9	43,012.4	54,770.9	58,432.2	61,743.6	74,893.3	78,306.7
ROA' wg (with goodwill)	9.0%	9.3%	7.0%	7.5%	6.5%	5.7%	6.6%	8.4%	7.0%	6.1%

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■ Price-to-Book \rightarrow V/A'

■ Price-to-earnings \rightarrow V/E'

CALCULATIONS FOR V/E' AND V/A' (ADJUSTED P/E AND ADJUSTED P/B)

PSE:JFC	2006 12/31/2006	2007 12/31/2007	2008 12/31/2008	2009 12/31/2009	2010 12/31/2010	2011 1/1/2012	2012 12/31/2012	2013 12/31/2013	2014 12/31/2014	2015 12/31/2015
Enterprise Value Prime	50,809.2	61,346.5	55,426.7	70,965.2	114,032.7	124,036.9	137,110.3	217,573.6	273,366.1	276,955.0
Earnings''	1,970.1	2,288.9	2,083.9	2,406.7	2,547.7	2,765.0	3,614.8	5,009.0	5,096.5	4,514.2
Book Equity'	12,514.2	15,130.1	15,557.6	17,655.7	15,003.5	17,934.2	20,939.9	19,510.1	24,064.6	28,785.5
Market Capitalization	41,931.1	52,778.6	42,394.3	56,845.1	92,010.2	93,730.7	106,440.5	182,162.5	229,359.9	234,256.3
V/A' - Enterprise Value/Net Assets'	2.4	2.6	1.9	2.2	3.1	2.6	2.7	4.0	4.0	3.9
P/B' - Market Cap/Book Equity'	3.4	3.5	2.7	3.2	6.1	5.2	5.1	9.3	9.5	8.1
<i>Traditional Tangible P/B Equity</i>	3.8	4.1	3.0	7.4	10.6	8.3	11.1	24.1	20.1	14.6
Forward V/E' - Enterprise Value - Earnings'	21.6	27.7	20.6	25.5	36.4	32.1	26.4	41.2	57.1	42.8
Forward P/E' - Market Cap/Earnings''	21.3	23.1	20.3	23.6	36.1	33.9	29.4	36.4	45.0	51.9
<i>Traditional NTM P/E</i>	16.9	18.0	16.6	19.2	26.4	26.2	26.5	35.3	37.5	36.6
Historic V/E' - Enterprise Value - Earnings'	24.5	26.0	25.0	26.4	40.9	39.6	35.4	41.8	51.8	57.8
Historic P/E' - Market Cap/Earnings''	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>Traditional TTM P/E</i>	21.0	21.2	19.4	22.5	30.9	30.4	29.4	42.2	44.9	42.8
Dividend Yield	1.4%	1.5%	2.0%	1.5%	1.1%	1.2%	1.2%	2.0%	0.8%	0.8%

Translating, scrubbing, cleaning-up, apples-to-apples

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- Price-to-earnings \rightarrow V/E'

CALCULATIONS FOR E' (ADJUSTED EARNINGS)

PSE:JFC	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
	12/31/2006	12/31/2007	12/31/2008	12/31/2009	12/31/2010	1/1/2012	12/31/2012	12/31/2013	12/31/2014	12/31/2015
Earnings (Net Income)	2,156.6	2,386.7	2,319.1	2,664.6	3,197.8	3,262.6	3,727.1	4,671.6	5,362.0	4,928.2
Remove: Special Items adjusted after-tax effect	50.9	(24.6)	(2.7)	167.7	365.1	348.5	255.9	100.6	330.9	712.5
Adjust: Recurring Special Items to include in earnings	0.0	0.0	0.0	12.0	7.0	33.9	38.2	7.3	0.0	0.0
Add Back: Depreciation Expense	1,573.8	1,579.6	1,728.9	2,085.9	1,978.0	2,401.6	2,705.6	3,072.5	3,180.6	3,418.2
Add Back: Op Lease Expense	2,137.2	2,391.0	2,902.8	3,542.0	4,092.8	5,131.8	5,895.9	6,287.3	7,072.7	7,841.9
Add Back: R&D Expense	26.6	32.9	49.9	63.0	61.8	70.9	56.8	79.6	77.6	73.0
Add Back: Amortization Expense	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.2	5.8	7.5
Add Back: Interest Expense	80.4	55.5	105.1	218.9	193.2	291.3	206.0	152.9	152.5	225.5
Add Back: Minority Interest Expense	3.5	1.6	2.7	2.3	14.7	22.1	(15.1)	51.2	127.0	118.1
Add Back: Tax Expense	742.8	746.7	889.2	988.3	973.4	1,110.2	1,149.7	1,522.7	1,270.5	1,388.6
Adjust: NOL Tax Shield	0.0	51.7	0.0	0.0	44.8	0.0	0.0	0.0	322.1	134.1
Adjust: Interest Expense Tax Shield	20.6	13.2	29.1	59.2	44.9	73.6	48.7	37.3	28.7	48.7
Subtract: Adjusted Tax Expense	763.4	811.5	918.3	1,047.5	1,063.2	1,183.8	1,198.4	1,560.0	1,621.3	1,571.4
Add Back: Pension and OPEB Costs	154.4	236.1	228.5	247.6	251.0	121.2	382.6	363.1	600.0	312.6
Subtract: Pension and OPEB Service Costs	121.6	166.9	173.9	189.1	186.4	121.2	280.2	319.7	550.4	244.8
Adjust: COGS from FIFO to LIFO	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Adjust: Carrying Cost of Monetary Assets	(135.5)	(143.0)	(208.5)	(163.7)	(163.1)	(179.8)	(270.1)	(245.6)	(242.0)	(257.8)
Add: Gross earnings missing from acquisitions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Subtract: Gross earnings included from divestitures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Subtract: Equity Investment Income	(22.9)	0.0	0.0	0.0	(2.2)	0.3	(51.0)	(115.6)	(126.2)	(189.1)
Add Back: Stock Option Expense (After-Tax)	40.0	84.9	107.1	147.5	65.7	73.6	77.0	150.4	166.5	173.2
Subtract: Capital Grants and Subsidies - Release to P&L	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gross Earnings ¹	5,867.0	6,418.1	7,035.4	8,404.2	9,059.9	10,685.8	12,270.0	14,251.5	15,396.7	15,889.5

Jerry: What happened to my stereo? It's all smashed up.

Kramer: That's right. Now it looks like it was broken during shipping and I insured it for \$400.



Jerry: But you were supposed to get me a refund.

Kramer: You can't get a refund. Your warranty expired two years ago.

Jerry: So we're going to make the Post Office pay for my new stereo?



Kramer: It's just a write off for them.

Jerry: How is it a write off?

Kramer: They just write it off.

Jerry: Write it off what?



Kramer: Jerry, all these big companies they write off everything

Jerry: You don't even know what a write off is.

Kramer: Do you?

Jerry: No. I don't.



Kramer: But *they* do and *they* are the ones writing it off.

Jerry: I wish I just had the last twenty seconds of my life back.



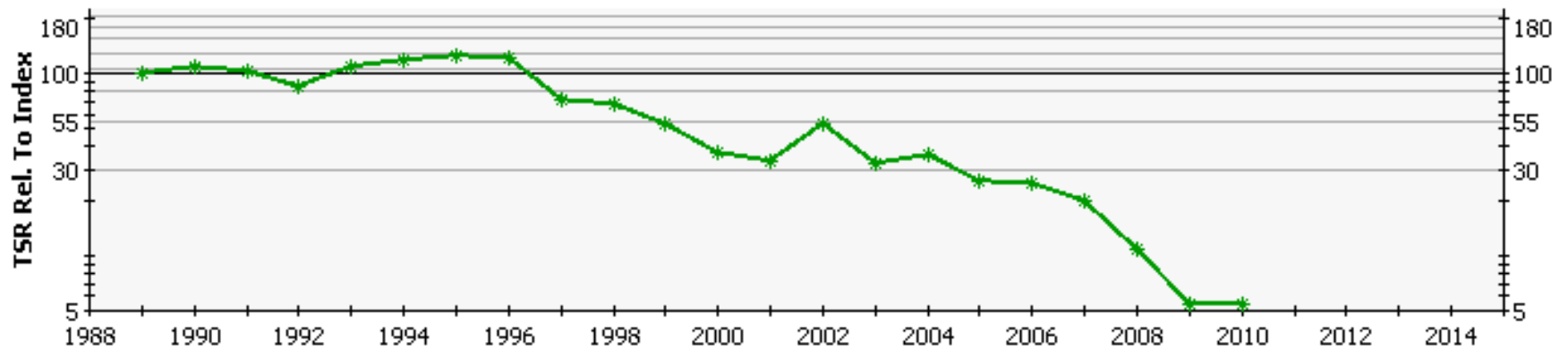
EK	12/1998	12/1999	12/2000	12/2001	12/2002	12/2003	12/2004	12/2005	12/2006	12/2007
	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD
Net Income	1,390	1,392	1,407	76	793	238	81	(1,455)	(600)	(205)

EK

	12/1998 USD	12/1999 USD	12/2000 USD	12/2001 USD	12/2002 USD	12/2003 USD	12/2004 USD	12/2005 USD	12/2006 USD	12/2007 USD
Net Income	1,390	1,392	1,407	76	793	238	81	(1,455)	(600)	(205)
Minus: Special Items (after-tax)	(9)	(217)	(18)	(579)	(107)	(408)	(524)	(1,757)	(1,051)	(782)

EK

	12/1998 USD	12/1999 USD	12/2000 USD	12/2001 USD	12/2002 USD	12/2003 USD	12/2004 USD	12/2005 USD	12/2006 USD	12/2007 USD
Net Income	1,390	1,392	1,407	76	793	238	81	(1,455)	(600)	(205)
Minus: Special Items (after-tax)	(9)	(217)	(18)	(579)	(107)	(408)	(524)	(1,757)	(1,051)	(782)



EK	12/1998	12/1999	12/2000	12/2001	12/2002	12/2003	12/2004	12/2005	12/2006	12/2007
	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD
Net Income	1,390	1,392	1,407	76	793	238	81	(1,455)	(600)	(205)
Minus: Special Items (after-tax)	(9)	(217)	(18)	(579)	(107)	(408)	(524)	(1,757)	(1,051)	(782)

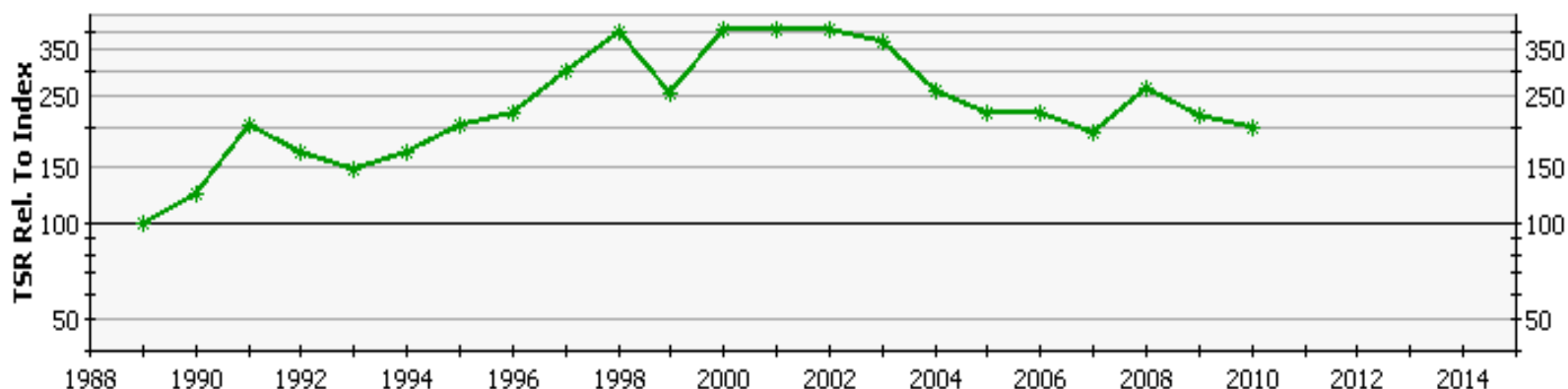
PFE	12/1998	12/1999	12/2000	12/2001	12/2002	12/2003	12/2004	12/2005	12/2006	12/2007
	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD
Net Income	1,950	3,199	3,718	7,752	9,181	1,639	11,332	8,094	11,024	8,213
Minus: Special Items (after-tax)	(471)	(192)	(1,981)	(554)	(445)	(3,949)	(1,631)	(3,425)	(688)	(4,389)

EK	12/1998	12/1999	12/2000	12/2001	12/2002	12/2003	12/2004	12/2005	12/2006	12/2007
	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD
Net Income	1,390	1,392	1,407	76	793	238	81	(1,455)	(600)	(205)
Minus: Special Items (after-tax)	(9)	(217)	(18)	(579)	(107)	(408)	(524)	(1,757)	(1,051)	(782)

PFE	12/1998	12/1999	12/2000	12/2001	12/2002	12/2003	12/2004	12/2005	12/2006	12/2007
	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD
Net Income	1,950	3,199	3,718	7,752	9,181	1,639	11,332	8,094	11,024	8,213
Minus: Special Items (after-tax)	(471)	(192)	(1,981)	(554)	(445)	(3,949)	(1,631)	(3,425)	(688)	(4,389)

EK	12/1998	12/1999	12/2000	12/2001	12/2002	12/2003	12/2004	12/2005	12/2006	12/2007
	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD
Net Income	1,390	1,392	1,407	76	793	238	81	(1,455)	(600)	(205)
Minus: Special Items (after-tax)	(9)	(217)	(18)	(579)	(107)	(408)	(524)	(1,757)	(1,051)	(782)

PFE	12/1998	12/1999	12/2000	12/2001	12/2002	12/2003	12/2004	12/2005	12/2006	12/2007
	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD
Net Income	1,950	3,199	3,718	7,752	9,181	1,639	11,332	8,094	11,024	8,213
Minus: Special Items (after-tax)	(471)	(192)	(1,981)	(554)	(445)	(3,949)	(1,631)	(3,425)	(688)	(4,389)



EK	12/1998	12/1999	12/2000	12/2001	12/2002	12/2003	12/2004	12/2005	12/2006	12/2007
	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD
Net Income	1,390	1,392	1,407	76	793	238	81	(1,455)	(600)	(205)
Minus: Special Items (after-tax)	(9)	(217)	(18)	(579)	(107)	(408)	(524)	(1,757)	(1,051)	(782)

PFE	12/1998	12/1999	12/2000	12/2001	12/2002	12/2003	12/2004	12/2005	12/2006	12/2007
	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD
Net Income	1,950	3,199	3,718	7,752	9,181	1,639	11,332	8,094	11,024	8,213
Minus: Special Items (after-tax)	(471)	(192)	(1,981)	(554)	(445)	(3,949)	(1,631)	(3,425)	(688)	(4,389)

SHLD	1/1999	1/2000	1/2001	1/2002	1/2003	1/2004	1/2005	1/2006	1/2007	1/2008
	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD
Net Income	518	633	(244)	(2,587)	(3,262)	(618)	1,106	948	1,490	826
Minus: Special Items (after-tax)	(12)	0	(459)	(1,421)	(2,707)	(820)	581	189	(34)	55

When Red Flags “Go Green”



EXPE	2002 12/2002 USD
Net Income	70
Minus: Special Items (after-tax)	(8)

EXPE	2002	2003
	12/2002	12/2003
	USD	USD
Net Income	70	111
Minus: Special Items (after-tax)	(8)	(8)

EXPE	2002	2003	2004
	12/2002	12/2003	12/2004
	USD	USD	USD
Net Income	70	111	163
Minus: Special Items (after-tax)	(8)	(8)	0

EXPE	2002	2003	2004	2005
	12/2002	12/2003	12/2004	12/2005
	USD	USD	USD	USD
Net Income	70	111	163	229
Minus: Special Items (after-tax)	(8)	(8)	0	(15)

EXPE	2002	2003	2004	2005	2006
	12/2002	12/2003	12/2004	12/2005	12/2006
	USD	USD	USD	USD	USD
Net Income	70	111	163	229	245
Minus: Special Items (after-tax)	(8)	(8)	0	(15)	(31)

EXPE	2002	2003	2004	2005	2006	2007
	12/2002	12/2003	12/2004	12/2005	12/2006	12/2007
	USD	USD	USD	USD	USD	USD
Net Income	70	111	163	229	245	296
Minus: Special Items (after-tax)	(8)	(8)	0	(15)	(31)	8

EXPE	2002	2003	2004	2005	2006	2007	2008
	12/2002	12/2003	12/2004	12/2005	12/2006	12/2007	12/2008
	USD	USD	USD	USD	USD	USD	USD
Net Income	70	111	163	229	245	296	(2,518)
Minus: Special Items (after-tax)	(8)	(8)	0	(15)	(31)	8	(2,996)

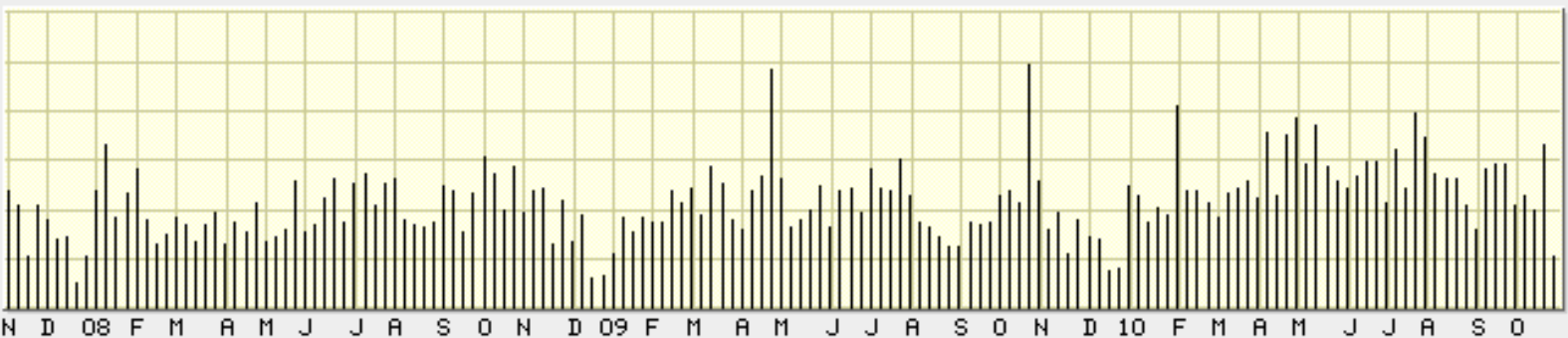
The Big Bath







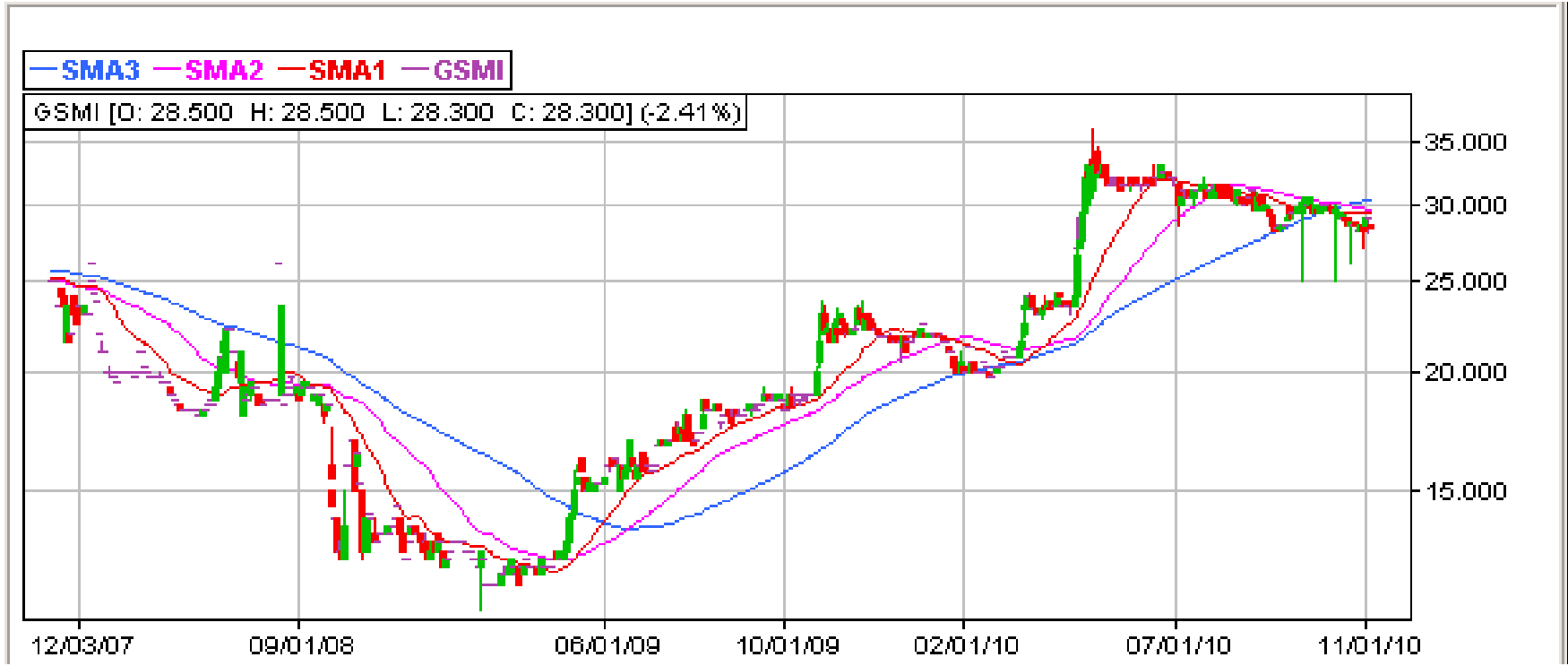
EXPE



EXPE	2002	2003	2004	2005	2006	2007	2008
	12/2002	12/2003	12/2004	12/2005	12/2006	12/2007	12/2008
	USD	USD	USD	USD	USD	USD	USD
Net Income	70	111	163	229	245	296	(2,518)
Minus: Special Items (after-tax)	(8)	(8)	0	(15)	(31)	8	(2,996)

EXPE	2002	2003	2004	2005	2006	2007	2008	2009
	12/2002	12/2003	12/2004	12/2005	12/2006	12/2007	12/2008	12/2009
	USD	USD	USD	USD	USD	USD	USD	USD
Net Income	70	111	163	229	245	296	(2,518)	300
Minus: Special Items (after-tax)	(8)	(8)	0	(15)	(31)	8	(2,996)	(64)

GSMI (Phil.)	2006	2007	2008	2009
	12/2006	12/2007	12/2008	12/2009
	PHP	PHP	PHP	PHP
Net Income	281	394	(279)	701
Minus: Special Items (after-tax)	NA	61	(389)	103



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CALCULATIONS FOR E' (ADJUSTED EARNINGS)

PSE:JFC	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
	12/31/2006	12/31/2007	12/31/2008	12/31/2009	12/31/2010	1/1/2012	12/31/2012	12/31/2013	12/31/2014	12/31/2015
Earnings (Net Income)	2,156.6	2,386.7	2,319.1	2,664.6	3,197.8	3,262.6	3,727.1	4,671.6	5,362.0	4,928.2
Remove: Special Items adjusted after-tax effect	50.9	(24.6)	(2.7)	167.7	365.1	348.5	255.9	100.6	330.9	712.5
Adjust: Recurring Special Items to include in earnings	0.0	0.0	0.0	12.0	7.0	33.9	38.2	7.3	0.0	0.0
Add Back: Depreciation Expense	1,573.8	1,579.6	1,728.9	2,085.9	1,978.0	2,401.6	2,705.6	3,072.5	3,180.6	3,418.2
Add Back: Op Lease Expense	2,137.2	2,391.0	2,902.8	3,542.0	4,092.8	5,131.8	5,895.9	6,287.3	7,072.7	7,841.9
Add Back: R&D Expense	26.6	32.9	49.9	63.0	61.8	70.9	56.8	79.6	77.6	73.0
Add Back: Amortization Expense	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.2	5.8	7.5
Add Back: Interest Expense	80.4	55.5	105.1	218.9	193.2	291.3	206.0	152.9	152.5	225.5
Add Back: Minority Interest Expense	3.5	1.6	2.7	2.3	14.7	22.1	(15.1)	51.2	127.0	118.1
Add Back: Tax Expense	742.8	746.7	889.2	988.3	973.4	1,110.2	1,149.7	1,522.7	1,270.5	1,388.6
Adjust: NOL Tax Shield	0.0	51.7	0.0	0.0	44.8	0.0	0.0	0.0	322.1	134.1
Adjust: Interest Expense Tax Shield	20.6	13.2	29.1	59.2	44.9	73.6	48.7	37.3	28.7	48.7
Subtract: Adjusted Tax Expense	763.4	811.5	918.3	1,047.5	1,063.2	1,183.8	1,198.4	1,560.0	1,621.3	1,571.4
Add Back: Pension and OPEB Costs	154.4	236.1	228.5	247.6	251.0	121.2	382.6	363.1	600.0	312.6
Subtract: Pension and OPEB Service Costs	121.6	166.9	173.9	189.1	186.4	121.2	280.2	319.7	550.4	244.8
Adjust: COGS from FIFO to LIFO	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Adjust: Carrying Cost of Monetary Assets	(135.5)	(143.0)	(208.5)	(163.7)	(163.1)	(179.8)	(270.1)	(245.6)	(242.0)	(257.8)
Add: Gross earnings missing from acquisitions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Subtract: Gross earnings included from divestitures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Subtract: Equity Investment Income	(22.9)	0.0	0.0	0.0	(2.2)	0.3	(51.0)	(115.6)	(126.2)	(189.1)
Add Back: Stock Option Expense (After-Tax)	40.0	84.9	107.1	147.5	65.7	73.6	77.0	150.4	166.5	173.2
Subtract: Capital Grants and Subsidies - Release to P&L	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gross Earnings ¹	5,867.0	6,418.1	7,035.4	8,404.2	9,059.9	10,685.8	12,270.0	14,251.5	15,396.7	15,889.5

CALCULATIONS FOR E' (ADJUSTED EARNINGS)

PSE:JFC	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
	12/31/2006	12/31/2007	12/31/2008	12/31/2009	12/31/2010	1/1/2012	12/31/2012	12/31/2013	12/31/2014	12/31/2015
Earnings (Net Income)	2,156.6	2,386.7	2,319.1	2,664.6	3,197.8	3,262.6	3,727.1	4,671.6	5,362.0	4,928.2
Remove: Special Items adjusted after-tax effect	50.9	(24.6)	(2.7)	167.7	365.1	348.5	255.9	100.6	330.9	712.5
Adjust: Recurring Special Items to include in earnings	0.0	0.0	0.0	12.0	7.0	33.9	38.2	7.3	0.0	0.0
Add Back: Depreciation Expense	1,573.8	1,579.6	1,728.9	2,085.9	1,978.0	2,401.6	2,705.6	3,072.5	3,180.6	3,418.2
Add Back: Op Lease Expense	2,137.2	2,391.0	2,902.8	3,542.0	4,092.8	5,131.8	5,895.9	6,287.3	7,072.7	7,841.9
Add Back: R&D Expense	26.6	32.9	49.9	63.0	61.8	70.9	56.8	79.6	77.6	73.0
Add Back: Amortization Expense	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.2	5.8	7.5
Add Back: Interest Expense	80.4	55.5	105.1	218.9	193.2	291.3	206.0	152.9	152.5	225.5
Add Back: Minority Interest Expense	3.5	1.6	2.7	2.3	14.7	22.1	(15.1)	51.2	127.0	118.1
Add Back: Tax Expense	742.8	746.7	889.2	988.3	973.4	1,110.2	1,149.7	1,522.7	1,270.5	1,388.6
Adjust: NOL Tax Shield	0.0	51.7	0.0	0.0	44.8	0.0	0.0	0.0	322.1	134.1
Adjust: Interest Expense Tax Shield	20.6	13.2	29.1	59.2	44.9	73.6	48.7	37.3	28.7	48.7
Subtract: Adjusted Tax Expense	763.4	811.5	918.3	1,047.5	1,063.2	1,183.8	1,198.4	1,560.0	1,621.3	1,571.4
Add Back: Pension and OPEB Costs	154.4	236.1	228.5	247.6	251.0	121.2	382.6	363.1	600.0	312.6
Subtract: Pension and OPEB Service Costs	121.6	166.9	173.9	189.1	186.4	121.2	280.2	319.7	550.4	244.8
Adjust: COGS from FIFO to LIFO	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Adjust: Carrying Cost of Monetary Assets	(135.5)	(143.0)	(208.5)	(163.7)	(163.1)	(179.8)	(270.1)	(245.6)	(242.0)	(257.8)
Add: Gross earnings missing from acquisitions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Subtract: Gross earnings included from divestitures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Subtract: Equity Investment Income	(22.9)	0.0	0.0	0.0	(2.2)	0.3	(51.0)	(115.6)	(126.2)	(189.1)
Add Back: Stock Option Expense (After-Tax)	40.0	84.9	107.1	147.5	65.7	73.6	77.0	150.4	166.5	173.2
Subtract: Capital Grants and Subsidies - Release to P&L	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gross Earnings ¹	5,867.0	6,418.1	7,035.4	8,404.2	9,059.9	10,685.8	12,270.0	14,251.5	15,396.7	15,889.5

CALCULATIONS FOR E' (ADJUSTED EARNINGS)

PSE:JFC	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
	12/31/2006	12/31/2007	12/31/2008	12/31/2009	12/31/2010	1/1/2012	12/31/2012	12/31/2013	12/31/2014	12/31/2015
Earnings (Net Income)	2,156.6	2,386.7	2,319.1	2,664.6	3,197.8	3,262.6	3,727.1	4,671.6	5,362.0	4,928.2
Remove: Special Items adjusted after-tax effect	50.9	(24.6)	(2.7)	167.7	365.1	348.5	255.9	100.6	330.9	712.5
Adjust: Recurring Special Items to include in earnings	0.0	0.0	0.0	12.0	7.0	33.9	38.2	7.3	0.0	0.0
Add Back: Depreciation Expense	1,573.8	1,579.6	1,728.9	2,085.9	1,978.0	2,401.6	2,705.6	3,072.5	3,180.6	3,418.2
Add Back: Op Lease Expense	2,137.2	2,391.0	2,902.8	3,542.0	4,092.8	5,131.8	5,895.9	6,287.3	7,072.7	7,841.9
Add Back: R&D Expense	26.6	32.9	49.9	63.0	61.8	70.9	56.8	79.6	77.6	73.0
Add Back: Amortization Expense	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.2	5.8	7.5
Add Back: Interest Expense	80.4	55.5	105.1	218.9	193.2	291.3	206.0	152.9	152.5	225.5
Add Back: Minority Interest Expense	3.5	1.6	2.7	2.3	14.7	22.1	(15.1)	51.2	127.0	118.1
Add Back: Tax Expense	742.8	746.7	889.2	988.3	973.4	1,110.2	1,149.7	1,522.7	1,270.5	1,388.6
Adjust: NOL Tax Shield	0.0	51.7	0.0	0.0	44.8	0.0	0.0	0.0	322.1	134.1
Adjust: Interest Expense Tax Shield	20.6	13.2	29.1	59.2	44.9	73.6	48.7	37.3	28.7	48.7
Subtract: Adjusted Tax Expense	763.4	811.5	918.3	1,047.5	1,063.2	1,183.8	1,198.4	1,560.0	1,621.3	1,571.4
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Subtract: Pension and OPEB Service Costs	121.6	166.9	173.9	189.1	186.4	121.2	280.2	319.7	550.4	244.8
Adjust: COGS from FIFO to LIFO	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Adjust: Carrying Cost of Monetary Assets	(135.5)	(143.0)	(208.5)	(163.7)	(163.1)	(179.8)	(270.1)	(245.6)	(242.0)	(257.8)
Add: Gross earnings missing from acquisitions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Subtract: Gross earnings included from divestitures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Subtract: Equity Investment Income	(22.9)	0.0	0.0	0.0	(2.2)	0.3	(51.0)	(115.6)	(126.2)	(189.1)
Add Back: Stock Option Expense (After-Tax)	40.0	84.9	107.1	147.5	65.7	73.6	77.0	150.4	166.5	173.2
Subtract: Capital Grants and Subsidies - Release to P&L	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gross Earnings ¹	5,867.0	6,418.1	7,035.4	8,404.2	9,059.9	10,685.8	12,270.0	14,251.5	15,396.7	15,889.5

CALCULATIONS FOR E' (ADJUSTED EARNINGS)

PSE:JFC	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
	12/31/2006	12/31/2007	12/31/2008	12/31/2009	12/31/2010	1/1/2012	12/31/2012	12/31/2013	12/31/2014	12/31/2015
Earnings (Net Income)	2,156.6	2,386.7	2,319.1	2,664.6	3,197.8	3,262.6	3,727.1	4,671.6	5,362.0	4,928.2
Remove: Special Items adjusted after-tax effect	50.9	(24.6)	(2.7)	167.7	365.1	348.5	255.9	100.6	330.9	712.5
Adjust: Recurring Special Items to include in earnings	0.0	0.0	0.0	12.0	7.0	33.9	38.2	7.3	0.0	0.0
Add Back: Depreciation Expense	1,573.8	1,579.6	1,728.9	2,085.9	1,978.0	2,401.6	2,705.6	3,072.5	3,180.6	3,418.2
Add Back: Op Lease Expense	2,137.2	2,391.0	2,902.8	3,542.0	4,092.8	5,131.8	5,895.9	6,287.3	7,072.7	7,841.9
Add Back: R&D Expense	26.6	32.9	49.9	63.0	61.8	70.9	56.8	79.6	77.6	73.0
Add Back: Amortization Expense	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.2	5.8	7.5
Add Back: Interest Expense	80.4	55.5	105.1	218.9	193.2	291.3	206.0	152.9	152.5	225.5
Add Back: Minority Interest Expense	3.5	1.6	2.7	2.3	14.7	22.1	(15.1)	51.2	127.0	118.1
Add Back: Tax Expense	742.8	746.7	889.2	988.3	973.4	1,110.2	1,149.7	1,522.7	1,270.5	1,388.6
Adjust: NOL Tax Shield	0.0	51.7	0.0	0.0	44.8	0.0	0.0	0.0	322.1	134.1
Adjust: Interest Expense Tax Shield	20.6	13.2	29.1	59.2	44.9	73.6	48.7	37.3	28.7	48.7
Subtract: Adjusted Tax Expense	763.4	811.5	918.3	1,047.5	1,063.2	1,183.8	1,198.4	1,560.0	1,621.3	1,571.4
Add Back: Pension and OPEB Costs	154.4	236.1	228.5	247.6	251.0	121.2	382.6	363.1	600.0	312.6
Subtract: Pension and OPEB Service Costs	121.6	166.9	173.9	189.1	186.4	121.2	280.2	319.7	550.4	244.8
Adjust: COGS from FIFO to LIFO	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Adjust: Carrying Cost of Monetary Assets	(135.5)	(143.0)	(208.5)	(163.7)	(163.1)	(179.8)	(270.1)	(245.6)	(242.0)	(257.8)
Add: Gross earnings missing from acquisitions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Subtract: Gross earnings included from divestitures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Subtract: Equity Investment Income	(22.9)	0.0	0.0	0.0	(2.2)	0.3	(51.0)	(115.6)	(126.2)	(189.1)
Add Back: Stock Option Expense (After-Tax)	40.0	84.9	107.1	147.5	65.7	73.6	77.0	150.4	166.5	173.2
Subtract: Capital Grants and Subsidies - Release to P&L	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gross Earnings ¹	5,867.0	6,418.1	7,035.4	8,404.2	9,059.9	10,685.8	12,270.0	14,251.5	15,396.7	15,889.5

CALCULATIONS FOR E' (ADJUSTED EARNINGS)

PSE:JFC	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
	12/31/2006	12/31/2007	12/31/2008	12/31/2009	12/31/2010	1/1/2012	12/31/2012	12/31/2013	12/31/2014	12/31/2015
Earnings (Net Income)	2,156.6	2,386.7	2,319.1	2,664.6	3,197.8	3,262.6	3,727.1	4,671.6	5,362.0	4,928.2
Remove: Special Items adjusted after-tax effect	50.9	(24.6)	(2.7)	167.7	365.1	348.5	255.9	100.6	330.9	712.5
Adjust: Recurring Special Items to include in earnings	0.0	0.0	0.0	12.0	7.0	33.9	38.2	7.3	0.0	0.0
Add Back: Depreciation Expense	1,573.8	1,579.6	1,728.9	2,085.9	1,978.0	2,401.6	2,705.6	3,072.5	3,180.6	3,418.2
Add Back: Op Lease Expense	2,137.2	2,391.0	2,902.8	3,542.0	4,092.8	5,131.8	5,895.9	6,287.3	7,072.7	7,841.9
Add Back: R&D Expense	26.6	32.9	49.9	63.0	61.8	70.9	56.8	79.6	77.6	73.0
Add Back: Amortization Expense	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.2	5.8	7.5
Add Back: Interest Expense	80.4	55.5	105.1	218.9	193.2	291.3	206.0	152.9	152.5	225.5
Add Back: Minority Interest Expense	3.5	1.6	2.7	2.3	14.7	22.1	(15.1)	51.2	127.0	118.1
Add Back: Tax Expense	742.8	746.7	889.2	988.3	973.4	1,110.2	1,149.7	1,522.7	1,270.5	1,388.6
Adjust: NOL Tax Shield	0.0	51.7	0.0	0.0	44.8	0.0	0.0	0.0	322.1	134.1
Adjust: Interest Expense Tax Shield	20.6	13.2	29.1	59.2	44.9	73.6	48.7	37.3	28.7	48.7
Subtract: Adjusted Tax Expense	763.4	811.5	918.3	1,047.5	1,063.2	1,183.8	1,198.4	1,560.0	1,621.3	1,571.4
Add Back: Pension and OPEB Costs	154.4	236.1	228.5	247.6	251.0	121.2	382.6	363.1	600.0	312.6
Subtract: Pension and OPEB Service Costs	121.6	166.9	173.9	189.1	186.4	121.2	280.2	319.7	550.4	244.8
Adjust: COGS from FIFO to LIFO	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Adjust: Carrying Cost of Monetary Assets	(135.5)	(143.0)	(208.5)	(163.7)	(163.1)	(179.8)	(270.1)	(245.6)	(242.0)	(257.8)
Add: Gross earnings missing from acquisitions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Subtract: Gross earnings included from divestitures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Subtract: Equity Investment Income	(22.9)	0.0	0.0	0.0	(2.2)	0.3	(51.0)	(115.6)	(126.2)	(189.1)
Add Back: Stock Option Expense (After-Tax)	40.0	84.9	107.1	147.5	65.7	73.6	77.0	150.4	166.5	173.2
Subtract: Capital Grants and Subsidies - Release to P&L	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gross Earnings ¹	5,867.0	6,418.1	7,035.4	8,404.2	9,059.9	10,685.8	12,270.0	14,251.5	15,396.7	15,889.5

CALCULATIONS FOR E' (ADJUSTED EARNINGS)

PSE:JFC	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
	12/31/2006	12/31/2007	12/31/2008	12/31/2009	12/31/2010	1/1/2012	12/31/2012	12/31/2013	12/31/2014	12/31/2015
Earnings (Net Income)	2,156.6	2,386.7	2,319.1	2,664.6	3,197.8	3,262.6	3,727.1	4,671.6	5,362.0	4,928.2
Remove: Special Items adjusted after-tax effect	50.9	(24.6)	(2.7)	167.7	365.1	348.5	255.9	100.6	330.9	712.5
Adjust: Recurring Special Items to include in earnings	0.0	0.0	0.0	12.0	7.0	33.9	38.2	7.3	0.0	0.0
Add Back: Depreciation Expense	1,573.8	1,579.6	1,728.9	2,085.9	1,978.0	2,401.6	2,705.6	3,072.5	3,180.6	3,418.2
Add Back: Op Lease Expense	2,137.2	2,391.0	2,902.8	3,542.0	4,092.8	5,131.8	5,895.9	6,287.3	7,072.7	7,841.9
Add Back: R&D Expense	26.6	32.9	49.9	63.0	61.8	70.9	56.8	79.6	77.6	73.0
Add Back: Amortization Expense	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.2	5.8	7.5
Add Back: Interest Expense	80.4	55.5	105.1	218.9	193.2	291.3	206.0	152.9	152.5	225.5
Add Back: Minority Interest Expense	3.5	1.6	2.7	2.3	14.7	22.1	(15.1)	51.2	127.0	118.1
Add Back: Tax Expense	742.8	746.7	889.2	988.3	973.4	1,110.2	1,149.7	1,522.7	1,270.5	1,388.6
Adjust: NOL Tax Shield	0.0	51.7	0.0	0.0	44.8	0.0	0.0	0.0	322.1	134.1
Adjust: Interest Expense Tax Shield	20.6	13.2	29.1	59.2	44.9	73.6	48.7	37.3	28.7	48.7
Subtract: Adjusted Tax Expense	763.4	811.5	918.3	1,047.5	1,063.2	1,183.8	1,198.4	1,560.0	1,621.3	1,571.4
Add Back: Pension and OPEB Costs	154.4	236.1	228.5	247.6	251.0	121.2	382.6	363.1	600.0	312.6
Subtract: Pension and OPEB Service Costs	121.6	166.9	173.9	189.1	186.4	121.2	280.2	319.7	550.4	244.8
Adjust: COGS from FIFO to LIFO	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Adjust: Carrying Cost of Monetary Assets	(135.5)	(143.0)	(208.5)	(163.7)	(163.1)	(179.8)	(270.1)	(245.6)	(242.0)	(257.8)
Add: Gross earnings missing from acquisitions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Subtract: Gross earnings included from divestitures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Subtract: Equity Investment Income	(22.9)	0.0	0.0	0.0	(2.2)	0.3	(51.0)	(115.6)	(126.2)	(189.1)
Add Back: Stock Option Expense (After-Tax)	40.0	84.9	107.1	147.5	65.7	73.6	77.0	150.4	166.5	173.2
Subtract: Capital Grants and Subsidies - Release to P&L	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gross Earnings ¹	5,867.0	6,418.1	7,035.4	8,404.2	9,059.9	10,685.8	12,270.0	14,251.5	15,396.7	15,889.5

Inventory Inconsistencies – earnings and assets

LIFO and FIFO

- LIFO
- FIFO

Inventory Inconsistencies – earnings and assets

LIFO and FIFO

- LIFO FIST
- FIFOLIST

Inventory Inconsistencies – earnings and assets

LIFO and FIFO

- LIFO FIST
- FIFOLIST

What is the most recent pricing for both COGS and Inventory?

CALCULATIONS FOR E' (ADJUSTED EARNINGS)

PSE:JFC	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
	12/31/2006	12/31/2007	12/31/2008	12/31/2009	12/31/2010	1/1/2012	12/31/2012	12/31/2013	12/31/2014	12/31/2015
Earnings (Net Income)	2,156.6	2,386.7	2,319.1	2,664.6	3,197.8	3,262.6	3,727.1	4,671.6	5,362.0	4,928.2
Remove: Special Items adjusted after-tax effect	50.9	(24.6)	(2.7)	167.7	365.1	348.5	255.9	100.6	330.9	712.5
Adjust: Recurring Special Items to include in earnings	0.0	0.0	0.0	12.0	7.0	33.9	38.2	7.3	0.0	0.0
Add Back: Depreciation Expense	1,573.8	1,579.6	1,728.9	2,085.9	1,978.0	2,401.6	2,705.6	3,072.5	3,180.6	3,418.2
Add Back: Op Lease Expense	2,137.2	2,391.0	2,902.8	3,542.0	4,092.8	5,131.8	5,895.9	6,287.3	7,072.7	7,841.9
Add Back: R&D Expense	26.6	32.9	49.9	63.0	61.8	70.9	56.8	79.6	77.6	73.0
Add Back: Amortization Expense	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.2	5.8	7.5
Add Back: Interest Expense	80.4	55.5	105.1	218.9	193.2	291.3	206.0	152.9	152.5	225.5
Add Back: Minority Interest Expense	3.5	1.6	2.7	2.3	14.7	22.1	(15.1)	51.2	127.0	118.1
Add Back: Tax Expense	742.8	746.7	889.2	988.3	973.4	1,110.2	1,149.7	1,522.7	1,270.5	1,388.6
Adjust: NOL Tax Shield	0.0	51.7	0.0	0.0	44.8	0.0	0.0	0.0	322.1	134.1
Adjust: Interest Expense Tax Shield	20.6	13.2	29.1	59.2	44.9	73.6	48.7	37.3	28.7	48.7
Subtract: Adjusted Tax Expense	763.4	811.5	918.3	1,047.5	1,063.2	1,183.8	1,198.4	1,560.0	1,621.3	1,571.4
Add Back: Pension and OPEB Costs	154.4	236.1	228.5	247.6	251.0	121.2	382.6	363.1	600.0	312.6
Subtract: Pension and OPEB Service Costs	121.6	166.9	173.9	189.1	186.4	121.2	280.2	319.7	550.4	244.8
Adjust: COGS from FIFO to LIFO	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Adjust: Carrying Cost of Monetary Assets	(135.5)	(143.0)	(208.5)	(163.7)	(163.1)	(179.8)	(270.1)	(245.6)	(242.0)	(257.8)
Add: Gross earnings missing from acquisitions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Subtract: Gross earnings included from divestitures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Subtract: Equity Investment Income	(22.9)	0.0	0.0	0.0	(2.2)	0.3	(51.0)	(115.6)	(126.2)	(189.1)
Add Back: Stock Option Expense (After-Tax)	40.0	84.9	107.1	147.5	65.7	73.6	77.0	150.4	166.5	173.2
Subtract: Capital Grants and Subsidies - Release to P&L	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gross Earnings ¹	5,867.0	6,418.1	7,035.4	8,404.2	9,059.9	10,685.8	12,270.0	14,251.5	15,396.7	15,889.5

CALCULATIONS FOR E' (ADJUSTED EARNINGS)

PSE:JFC	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
	12/31/2006	12/31/2007	12/31/2008	12/31/2009	12/31/2010	1/1/2012	12/31/2012	12/31/2013	12/31/2014	12/31/2015
Earnings (Net Income)	2,156.6	2,386.7	2,319.1	2,664.6	3,197.8	3,262.6	3,727.1	4,671.6	5,362.0	4,928.2
Remove: Special Items adjusted after-tax effect	50.9	(24.6)	(2.7)	167.7	365.1	348.5	255.9	100.6	330.9	712.5
Adjust: Recurring Special Items to include in earnings	0.0	0.0	0.0	12.0	7.0	33.9	38.2	7.3	0.0	0.0
Add Back: Depreciation Expense	1,573.8	1,579.6	1,728.9	2,085.9	1,978.0	2,401.6	2,705.6	3,072.5	3,180.6	3,418.2
Add Back: Op Lease Expense	2,137.2	2,391.0	2,902.8	3,542.0	4,092.8	5,131.8	5,895.9	6,287.3	7,072.7	7,841.9
Add Back: R&D Expense	26.6	32.9	49.9	63.0	61.8	70.9	56.8	79.6	77.6	73.0
Add Back: Amortization Expense	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.2	5.8	7.5
Add Back: Interest Expense	80.4	55.5	105.1	218.9	193.2	291.3	206.0	152.9	152.5	225.5
Add Back: Minority Interest Expense	3.5	1.6	2.7	2.3	14.7	22.1	(15.1)	51.2	127.0	118.1
Add Back: Tax Expense	742.8	746.7	889.2	988.3	973.4	1,110.2	1,149.7	1,522.7	1,270.5	1,388.6
Adjust: NOL Tax Shield	0.0	51.7	0.0	0.0	44.8	0.0	0.0	0.0	322.1	134.1
Adjust: Interest Expense Tax Shield	20.6	13.2	29.1	59.2	44.9	73.6	48.7	37.3	28.7	48.7
Subtract: Adjusted Tax Expense	763.4	811.5	918.3	1,047.5	1,063.2	1,183.8	1,198.4	1,560.0	1,621.3	1,571.4
Add Back: Pension and OPEB Costs	154.4	236.1	228.5	247.6	251.0	121.2	382.6	363.1	600.0	312.6
Subtract: Pension and OPEB Service Costs	121.6	166.9	173.9	189.1	186.4	121.2	280.2	319.7	550.4	244.8
Adjust: COGS from FIFO to LIFO	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Adjust: Carrying Cost of Monetary Assets	(135.5)	(143.0)	(208.5)	(163.7)	(163.1)	(179.8)	(270.1)	(245.6)	(242.0)	(257.8)
Add: Gross earnings missing from acquisitions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Subtract: Gross earnings included from divestitures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Subtract: Equity Investment Income	(22.9)	0.0	0.0	0.0	(2.2)	0.3	(51.0)	(115.6)	(126.2)	(189.1)
Add Back: Stock Option Expense (After-Tax)	40.0	84.9	107.1	147.5	65.7	73.6	77.0	150.4	166.5	173.2
Subtract: Capital Grants and Subsidies - Release to P&L	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gross Earnings ¹	5,867.0	6,418.1	7,035.4	8,404.2	9,059.9	10,685.8	12,270.0	14,251.5	15,396.7	15,889.5

CALCULATIONS FOR E' (ADJUSTED EARNINGS)

PSE:JFC	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
	12/31/2006	12/31/2007	12/31/2008	12/31/2009	12/31/2010	1/1/2012	12/31/2012	12/31/2013	12/31/2014	12/31/2015
Earnings (Net Income)	2,156.6	2,386.7	2,319.1	2,664.6	3,197.8	3,262.6	3,727.1	4,671.6	5,362.0	4,928.2
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Adjust: Recurring Special Items to include in earnings	0.0	0.0	0.0	12.0	7.0	33.9	38.2	7.3	0.0	0.0
Add Back: Depreciation Expense	1,573.8	1,579.6	1,728.9	2,085.9	1,978.0	2,401.6	2,705.6	3,072.5	3,180.6	3,418.2
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Add Back: Amortization Expense	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.2	5.8	7.5
Add Back: Interest Expense	80.4	55.5	105.1	218.9	193.2	291.3	206.0	152.9	152.5	225.5
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Subtract: Pension and OPEB Service Costs	121.6	166.9	173.9	189.1	186.4	121.2	280.2	319.7	550.4	244.8
Adjust: COGS from FIFO to LIFO	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Adjust: Carrying Cost of Monetary Assets	(135.5)	(143.0)	(208.5)	(163.7)	(163.1)	(179.8)	(270.1)	(245.6)	(242.0)	(257.8)
Add: Gross earnings missing from acquisitions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Subtract: Gross earnings included from divestitures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Subtract: Equity Investment Income	(22.9)	0.0	0.0	0.0	(2.2)	0.3	(51.0)	(115.6)	(126.2)	(189.1)
Add Back: Stock Option Expense (After-Tax)	40.0	84.9	107.1	147.5	65.7	73.6	77.0	150.4	166.5	173.2
Subtract: Capital Grants and Subsidies - Release to P&L	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gross Earnings ¹	5,867.0	6,418.1	7,035.4	8,404.2	9,059.9	10,685.8	12,270.0	14,251.5	15,396.7	15,889.5

Incomparable M&A Accounting

Far more than just goodwill

Acquirer

- ▶ **Book value assets**
- ▶ **R&D expensed**

Acquired

- ▶ **“Fair value” assets**
- ▶ **R&D capitalized**
- ▶ **Partial year sales**
- ▶ **Partial year earnings**
- ▶ **Partial year cash flows**

▶ **Full year sales**

▶ **Full year earnings**

▶ **Full year cash flows**

CALCULATIONS FOR E' (ADJUSTED EARNINGS)

PSE:JFC	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
	12/31/2006	12/31/2007	12/31/2008	12/31/2009	12/31/2010	1/1/2012	12/31/2012	12/31/2013	12/31/2014	12/31/2015
Earnings (Net Income)	2,156.6	2,386.7	2,319.1	2,664.6	3,197.8	3,262.6	3,727.1	4,671.6	5,362.0	4,928.2
Remove: Special Items adjusted after-tax effect	50.9	(24.6)	(2.7)	167.7	365.1	348.5	255.9	100.6	330.9	712.5
Adjust: Recurring Special Items to include in earnings	0.0	0.0	0.0	12.0	7.0	33.9	38.2	7.3	0.0	0.0
Add Back: Depreciation Expense	1,573.8	1,579.6	1,728.9	2,085.9	1,978.0	2,401.6	2,705.6	3,072.5	3,180.6	3,418.2
Add Back: Op Lease Expense	2,137.2	2,391.0	2,902.8	3,542.0	4,092.8	5,131.8	5,895.9	6,287.3	7,072.7	7,841.9
Add Back: R&D Expense	26.6	32.9	49.9	63.0	61.8	70.9	56.8	79.6	77.6	73.0
Add Back: Amortization Expense	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.2	5.8	7.5
Add Back: Interest Expense	80.4	55.5	105.1	218.9	193.2	291.3	206.0	152.9	152.5	225.5
Add Back: Minority Interest Expense	3.5	1.6	2.7	2.3	14.7	22.1	(15.1)	51.2	127.0	118.1
Add Back: Tax Expense	742.8	746.7	889.2	988.3	973.4	1,110.2	1,149.7	1,522.7	1,270.5	1,388.6
Adjust: NOL Tax Shield	0.0	51.7	0.0	0.0	44.8	0.0	0.0	0.0	322.1	134.1
Adjust: Interest Expense Tax Shield	20.6	13.2	29.1	59.2	44.9	73.6	48.7	37.3	28.7	48.7
Subtract: Adjusted Tax Expense	763.4	811.5	918.3	1,047.5	1,063.2	1,183.8	1,198.4	1,560.0	1,621.3	1,571.4
Add Back: Pension and OPEB Costs	154.4	236.1	228.5	247.6	251.0	121.2	382.6	363.1	600.0	312.6
Subtract: Pension and OPEB Service Costs	121.6	166.9	173.9	189.1	186.4	121.2	280.2	319.7	550.4	244.8
Adjust: COGS from FIFO to LIFO	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Adjust: Carrying Cost of Monetary Assets	(135.5)	(143.0)	(208.5)	(163.7)	(163.1)	(179.8)	(270.1)	(245.6)	(242.0)	(257.8)
Add: Gross earnings missing from acquisitions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Subtract: Gross earnings included from divestitures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Subtract: Equity Investment Income	(22.9)	0.0	0.0	0.0	(2.2)	0.3	(51.0)	(115.6)	(126.2)	(189.1)
Add Back: Stock Option Expense (After-Tax)	40.0	84.9	107.1	147.5	65.7	73.6	77.0	150.4	166.5	173.2
Subtract: Capital Grants and Subsidies - Release to P&L	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gross Earnings ¹	5,867.0	6,418.1	7,035.4	8,404.2	9,059.9	10,685.8	12,270.0	14,251.5	15,396.7	15,889.5

CALCULATIONS FOR E' (ADJUSTED EARNINGS)

PSE:JFC	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
	12/31/2006	12/31/2007	12/31/2008	12/31/2009	12/31/2010	1/1/2012	12/31/2012	12/31/2013	12/31/2014	12/31/2015
Earnings (Net Income)	2,156.6	2,386.7	2,319.1	2,664.6	3,197.8	3,262.6	3,727.1	4,671.6	5,362.0	4,928.2
Remove: Special Items adjusted after-tax effect	50.9	(24.6)	(2.7)	167.7	365.1	348.5	255.9	100.6	330.9	712.5
Adjust: Recurring Special Items to include in earnings	0.0	0.0	0.0	12.0	7.0	33.9	38.2	7.3	0.0	0.0
Add Back: Depreciation Expense	1,573.8	1,579.6	1,728.9	2,085.9	1,978.0	2,401.6	2,705.6	3,072.5	3,180.6	3,418.2
Add Back: Op Lease Expense	2,137.2	2,391.0	2,902.8	3,542.0	4,092.8	5,131.8	5,895.9	6,287.3	7,072.7	7,841.9
Add Back: R&D Expense	26.6	32.9	49.9	63.0	61.8	70.9	56.8	79.6	77.6	73.0
Add Back: Amortization Expense	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.2	5.8	7.5
Add Back: Interest Expense	80.4	55.5	105.1	218.9	193.2	291.3	206.0	152.9	152.5	225.5
Add Back: Minority Interest Expense	3.5	1.6	2.7	2.3	14.7	22.1	(15.1)	51.2	127.0	118.1
Add Back: Tax Expense	742.8	746.7	889.2	988.3	973.4	1,110.2	1,149.7	1,522.7	1,270.5	1,388.6
Adjust: NOL Tax Shield	0.0	51.7	0.0	0.0	44.8	0.0	0.0	0.0	322.1	134.1
Adjust: Interest Expense Tax Shield	20.6	13.2	29.1	59.2	44.9	73.6	48.7	37.3	28.7	48.7
Subtract: Adjusted Tax Expense	763.4	811.5	918.3	1,047.5	1,063.2	1,183.8	1,198.4	1,560.0	1,621.3	1,571.4
Add Back: Pension and OPEB Costs	154.4	236.1	228.5	247.6	251.0	121.2	382.6	363.1	600.0	312.6
Subtract: Pension and OPEB Service Costs	121.6	166.9	173.9	189.1	186.4	121.2	280.2	319.7	550.4	244.8
Adjust: COGS from FIFO to LIFO	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Adjust: Carrying Cost of Monetary Assets	(135.5)	(143.0)	(208.5)	(163.7)	(163.1)	(179.8)	(270.1)	(245.6)	(242.0)	(257.8)
Add: Gross earnings missing from acquisitions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Subtract: Gross earnings included from divestitures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Subtract: Equity Investment Income	(22.9)	0.0	0.0	0.0	(2.2)	0.3	(51.0)	(115.6)	(126.2)	(189.1)
Add Back: Stock Option Expense (After-Tax)	40.0	84.9	107.1	147.5	65.7	73.6	77.0	150.4	166.5	173.2
Subtract: Capital Grants and Subsidies - Release to P&L	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gross Earnings ¹	5,867.0	6,418.1	7,035.4	8,404.2	9,059.9	10,685.8	12,270.0	14,251.5	15,396.7	15,889.5

CALCULATIONS FOR E' (ADJUSTED EARNINGS)

PSE:JFC	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
	12/31/2006	12/31/2007	12/31/2008	12/31/2009	12/31/2010	1/1/2012	12/31/2012	12/31/2013	12/31/2014	12/31/2015
Earnings (Net Income)	2,156.6	2,386.7	2,319.1	2,664.6	3,197.8	3,262.6	3,727.1	4,671.6	5,362.0	4,928.2
Remove: Special Items adjusted after-tax effect	50.9	(24.6)	(2.7)	167.7	365.1	348.5	255.9	100.6	330.9	712.5
Adjust: Recurring Special Items to include in earnings	0.0	0.0	0.0	12.0	7.0	33.9	38.2	7.3	0.0	0.0
Add Back: Depreciation Expense	1,573.8	1,579.6	1,728.9	2,085.9	1,978.0	2,401.6	2,705.6	3,072.5	3,180.6	3,418.2
Add Back: Op Lease Expense	2,137.2	2,391.0	2,902.8	3,542.0	4,092.8	5,131.8	5,895.9	6,287.3	7,072.7	7,841.9
Add Back: R&D Expense	26.6	32.9	49.9	63.0	61.8	70.9	56.8	79.6	77.6	73.0
Add Back: Amortization Expense	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.2	5.8	7.5
Add Back: Interest Expense	80.4	55.5	105.1	218.9	193.2	291.3	206.0	152.9	152.5	225.5
Add Back: Minority Interest Expense	3.5	1.6	2.7	2.3	14.7	22.1	(15.1)	51.2	127.0	118.1
Add Back: Tax Expense	742.8	746.7	889.2	988.3	973.4	1,110.2	1,149.7	1,522.7	1,270.5	1,388.6
Adjust: NOL Tax Shield	0.0	51.7	0.0	0.0	44.8	0.0	0.0	0.0	322.1	134.1
Adjust: Interest Expense Tax Shield	20.6	13.2	29.1	59.2	44.9	73.6	48.7	37.3	28.7	48.7
Subtract: Adjusted Tax Expense	763.4	811.5	918.3	1,047.5	1,063.2	1,183.8	1,198.4	1,560.0	1,621.3	1,571.4
Add Back: Pension and OPEB Costs	154.4	236.1	228.5	247.6	251.0	121.2	382.6	363.1	600.0	312.6
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Adjust: COGS from FIFO to LIFO	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Adjust: Carrying Cost of Monetary Assets	(135.5)	(143.0)	(208.5)	(163.7)	(163.1)	(179.8)	(270.1)	(245.6)	(242.0)	(257.8)
Add: Gross earnings missing from acquisitions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Subtract: Gross earnings included from divestitures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Subtract: Equity Investment Income	(22.9)	0.0	0.0	0.0	(2.2)	0.3	(51.0)	(115.6)	(126.2)	(189.1)
Add Back: Stock Option Expense (After-Tax)	40.0	84.9	107.1	147.5	65.7	73.6	77.0	150.4	166.5	173.2
Subtract: Capital Grants and Subsidies - Release to P&L	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gross Earnings ¹	5,867.0	6,418.1	7,035.4	8,404.2	9,059.9	10,685.8	12,270.0	14,251.5	15,396.7	15,889.5

"Financial statements [should] be prepared under the assumption that the users... understand not only the uses, but also the limitations, of GAAP"



Marty Whitman

“A lot of what Wall Street does has nothing to do with the underlying value of a business.”



Marty Whitman

CALCULATIONS FOR E' (ADJUSTED EARNINGS)

PSE:JFC	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
	12/31/2006	12/31/2007	12/31/2008	12/31/2009	12/31/2010	1/1/2012	12/31/2012	12/31/2013	12/31/2014	12/31/2015
Earnings (Net Income)	2,156.6	2,386.7	2,319.1	2,664.6	3,197.8	3,262.6	3,727.1	4,671.6	5,362.0	4,928.2
Remove: Special Items adjusted after-tax effect	50.9	(24.6)	(2.7)	167.7	365.1	348.5	255.9	100.6	330.9	712.5
Adjust: Recurring Special Items to include in earnings	0.0	0.0	0.0	12.0	7.0	33.9	38.2	7.3	0.0	0.0
Add Back: Depreciation Expense	1,573.8	1,579.6	1,728.9	2,085.9	1,978.0	2,401.6	2,705.6	3,072.5	3,180.6	3,418.2
Add Back: Op Lease Expense	2,137.2	2,391.0	2,902.8	3,542.0	4,092.8	5,131.8	5,895.9	6,287.3	7,072.7	7,841.9
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Add Back: Amortization Expense	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.2	5.8	7.5
Add Back: Interest Expense	80.4	55.5	105.1	218.9	193.2	291.3	206.0	152.9	152.5	225.5
Add Back: Minority Interest Expense	3.5	1.6	2.7	2.3	14.7	22.1	(15.1)	51.2	127.0	118.1
Add Back: Tax Expense	742.8	746.7	889.2	988.3	973.4	1,110.2	1,149.7	1,522.7	1,270.5	1,388.6
Adjust: NOL Tax Shield	0.0	51.7	0.0	0.0	44.8	0.0	0.0	0.0	322.1	134.1
Adjust: Interest Expense Tax Shield	20.6	13.2	29.1	59.2	44.9	73.6	48.7	37.3	28.7	48.7
Subtract: Adjusted Tax Expense	763.4	811.5	918.3	1,047.5	1,063.2	1,183.8	1,198.4	1,560.0	1,621.3	1,571.4
Add Back: Pension and OPEB Costs	154.4	236.1	228.5	247.6	251.0	121.2	382.6	363.1	600.0	312.6
Subtract: Pension and OPEB Service Costs	121.6	166.9	173.9	189.1	186.4	121.2	280.2	319.7	550.4	244.8
Adjust: COGS from FIFO to LIFO	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Adjust: Carrying Cost of Monetary Assets	(135.5)	(143.0)	(208.5)	(163.7)	(163.1)	(179.8)	(270.1)	(245.6)	(242.0)	(257.8)
Add: Gross earnings missing from acquisitions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Subtract: Gross earnings included from divestitures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Subtract: Equity Investment Income	(22.9)	0.0	0.0	0.0	(2.2)	0.3	(51.0)	(115.6)	(126.2)	(189.1)
Add Back: Stock Option Expense (After-Tax)	40.0	84.9	107.1	147.5	65.7	73.6	77.0	150.4	166.5	173.2
Subtract: Capital Grants and Subsidies - Release to P&L	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gross Earnings ¹	5,867.0	6,418.1	7,035.4	8,404.2	9,059.9	10,685.8	12,270.0	14,251.5	15,396.7	15,889.5

CALCULATIONS FOR E' (ADJUSTED EARNINGS)

PSE:JFC	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
	12/31/2006	12/31/2007	12/31/2008	12/31/2009	12/31/2010	1/1/2012	12/31/2012	12/31/2013	12/31/2014	12/31/2015
Earnings (Net Income)	2,156.6	2,386.7	2,319.1	2,664.6	3,197.8	3,262.6	3,727.1	4,671.6	5,362.0	4,928.2
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Add Back: Amortization Expense	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.2	5.8	7.5
Add Back: Interest Expense	80.4	55.5	105.1	218.9	193.2	291.3	206.0	152.9	152.5	225.5
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Add Back: Tax Expense	742.8	746.7	889.2	988.3	973.4	1,110.2	1,149.7	1,522.7	1,270.5	1,388.6
Adjust: NOL Tax Shield	0.0	51.7	0.0	0.0	44.8	0.0	0.0	0.0	322.1	134.1
Adjust: Interest Expense Tax Shield	20.6	13.2	29.1	59.2	44.9	73.6	48.7	37.3	28.7	48.7
Subtract: Adjusted Tax Expense	763.4	811.5	918.3	1,047.5	1,063.2	1,183.8	1,198.4	1,560.0	1,621.3	1,571.4
Add Back: Pension and OPEB Costs	154.4	236.1	228.5	247.6	251.0	121.2	382.6	363.1	600.0	312.6
Subtract: Pension and OPEB Service Costs	121.6	166.9	173.9	189.1	186.4	121.2	280.2	319.7	550.4	244.8
Adjust: COGS from FIFO to LIFO	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Adjust: Carrying Cost of Monetary Assets	(135.5)	(143.0)	(208.5)	(163.7)	(163.1)	(179.8)	(270.1)	(245.6)	(242.0)	(257.8)
Add: Gross earnings missing from acquisitions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Subtract: Gross earnings included from divestitures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Subtract: Equity Investment Income	(22.9)	0.0	0.0	0.0	(2.2)	0.3	(51.0)	(115.6)	(126.2)	(189.1)
Add Back: Stock Option Expense (After-Tax)	40.0	84.9	107.1	147.5	65.7	73.6	77.0	150.4	166.5	173.2
Subtract: Capital Grants and Subsidies - Release to P&L	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gross Earnings ¹	5,867.0	6,418.1	7,035.4	8,404.2	9,059.9	10,685.8	12,270.0	14,251.5	15,396.7	15,889.5

CALCULATIONS FOR E' (ADJUSTED EARNINGS)

PSE:JFC	2006 12/31/2006	2007 12/31/2007	2008 12/31/2008	2009 12/31/2009	2010 12/31/2010	2011 1/1/2012	2012 12/31/2012	2013 12/31/2013	2014 12/31/2014	2015 12/31/2015
Gross Earnings'	5,867.0	6,418.1	7,035.4	8,404.2	9,059.9	10,685.8	12,270.0	14,251.5	15,396.7	15,889.5
Maintenance CAPX/Economic Depreciation										
Depreciating Assets	31,916.9	35,354.9	42,762.1	50,759.1	58,414.7	71,037.1	78,987.2	84,038.4	93,964.9	104,682.9
Asset Life	8.4	8.7	8.9	8.9	9.3	9.4	9.4	9.3	9.3	9.4
Subtract: Economic Depreciation (aka Adj. MCAPIX)	3,795.9	4,060.5	4,817.3	5,719.4	6,274.1	7,555.9	8,400.5	9,052.3	10,119.0	11,101.1
Earnings'	2,071.1	2,357.6	2,218.1	2,684.8	2,785.8	3,129.9	3,869.5	5,199.2	5,277.6	4,788.4
Share Count	1,002.1	1,019.4	1,029.1	1,032.5	1,039.4	1,043.9	1,060.9	1,071.5	1,082.1	1,088.3
EPS'	2.07	2.31	2.16	2.60	2.68	3.00	3.65	4.85	4.88	4.40
Traditional EPS	2.15	2.34	2.25	2.58	3.08	3.13	3.51	4.36	4.95	4.53
Earnings as a % of Earnings'	104.1%	101.2%	104.6%	99.2%	114.8%	104.2%	96.3%	89.9%	101.6%	102.9%
<u>Adjustment for Equity Earnings'</u>										
Earnings'	2,071.1	2,357.6	2,218.1	2,684.8	2,785.8	3,129.9	3,869.5	5,199.2	5,277.6	4,788.4
Subtract: Interest Expense	80.41	55.47	105.08	218.91	193.20	291.34	206.01	152.92	152.47	225.54
Subtract: Interest Expense Tax Shield	20.57	13.21	29.10	59.19	44.93	73.59	48.72	37.28	28.66	48.67
Earnings''	1,970.12	2,288.92	2,083.94	2,406.70	2,547.70	2,764.99	3,614.81	5,008.98	5,096.51	4,514.21
EPS''	1.97	2.25	2.02	2.33	2.45	2.65	3.41	4.67	4.71	4.15
Earnings as a % of Equity Earnings'	109.5%	104.3%	111.3%	110.7%	125.5%	118.0%	103.1%	93.3%	105.2%	109.2%

Asset Life

- ▶ Range of lives of 4,000 plus firms
 - ▶ 4 to 28 years **(4 to 30 Phil.)**
- ▶ Wide range of median asset life across firms
 - ▶ Median of 12 years **(15.5 Phil.)**
- ▶ Very stable life within a firm
 - ▶ Median *change* YOY is near zero

Be careful of what you “mean”

				Average?
NI	\$ 100	\$ - 50	=	
Stock price return	100 %	- 50 %	=	
Asset Life	\$ 100 asset last 10 yrs.	\$ 100 asset last 5 yrs.	=	

Be careful of what you “mean”

				Average?
NI	\$ 100	\$ - 50	=	\$ 25 Arithmetic Mean
Stock price return	100 %	- 50 %	=	0% Geometric Mean
Asset Life	\$ 100 asset last 10 yrs.	\$ 100 asset last 5 yrs.	=	6.667 yrs. Harmonic Mean

Life

Firm XYZ Asset schedule:

\$100 assets 10 year life

\$100 assets 5 year life

What is the average life of the assets of firm XYZ?

7.5 is a very problematic answer...

Life

Firm XYZ Asset schedule:

\$100 assets 10 year life

\$100 assets 5 year life

What is the average life of the assets of firm XYZ?

7.5 is a very problematic answer...

If the average life is 7.5, and assets are \$200, how much MCAPX would this suggest?

Life

Firm XYZ Asset schedule:

\$100 assets 10 year life

\$100 assets 5 year life

What is the average life of the assets of firm XYZ?

7.5 is a very problematic answer...

If the average life is 7.5, and assets are \$200, how much MCAPX would this suggest?

200 divided by 7.5 = \$26.67...

Life

Firm XYZ Asset schedule:

\$100 assets 10 year life

\$100 assets 5 year life

What is the average life of the assets of firm XYZ?

7.5 is a very problematic answer...

If the average life is 7.5, and assets are \$200, how much MCAPX would this suggest?

200 divided by 7.5 = \$26.67...

Yet, it's obvious that the real answer is \$30

Life

Firm XYZ Asset schedule:

\$100 assets 10 year life

\$100 assets 5 year life

What is the average life of the assets of firm XYZ?

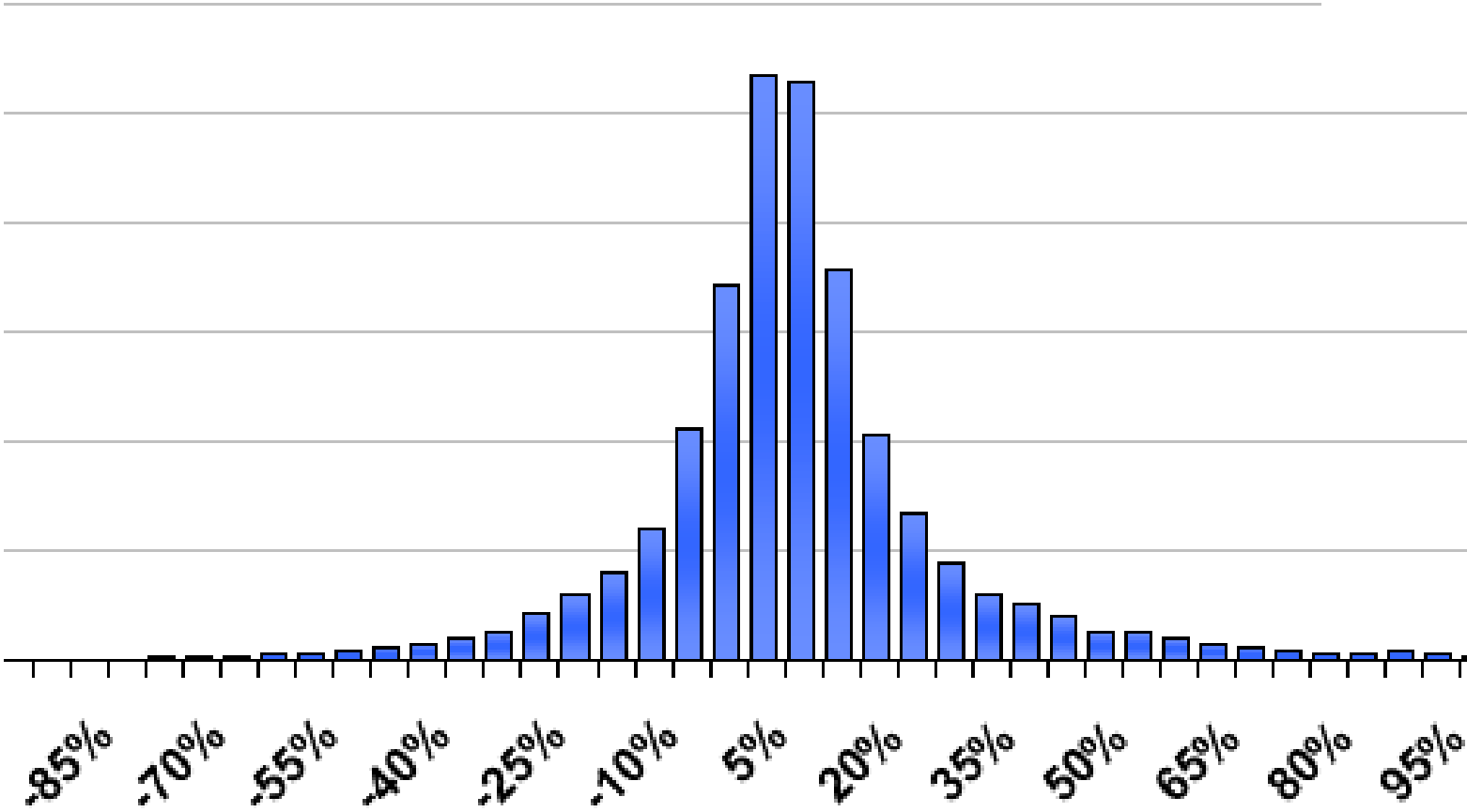
7.5 is a very problematic answer...

If the average life is 7.5, and assets are \$200, how much MCAPX would this suggest?
200 divided by 7.5 = \$26.67...

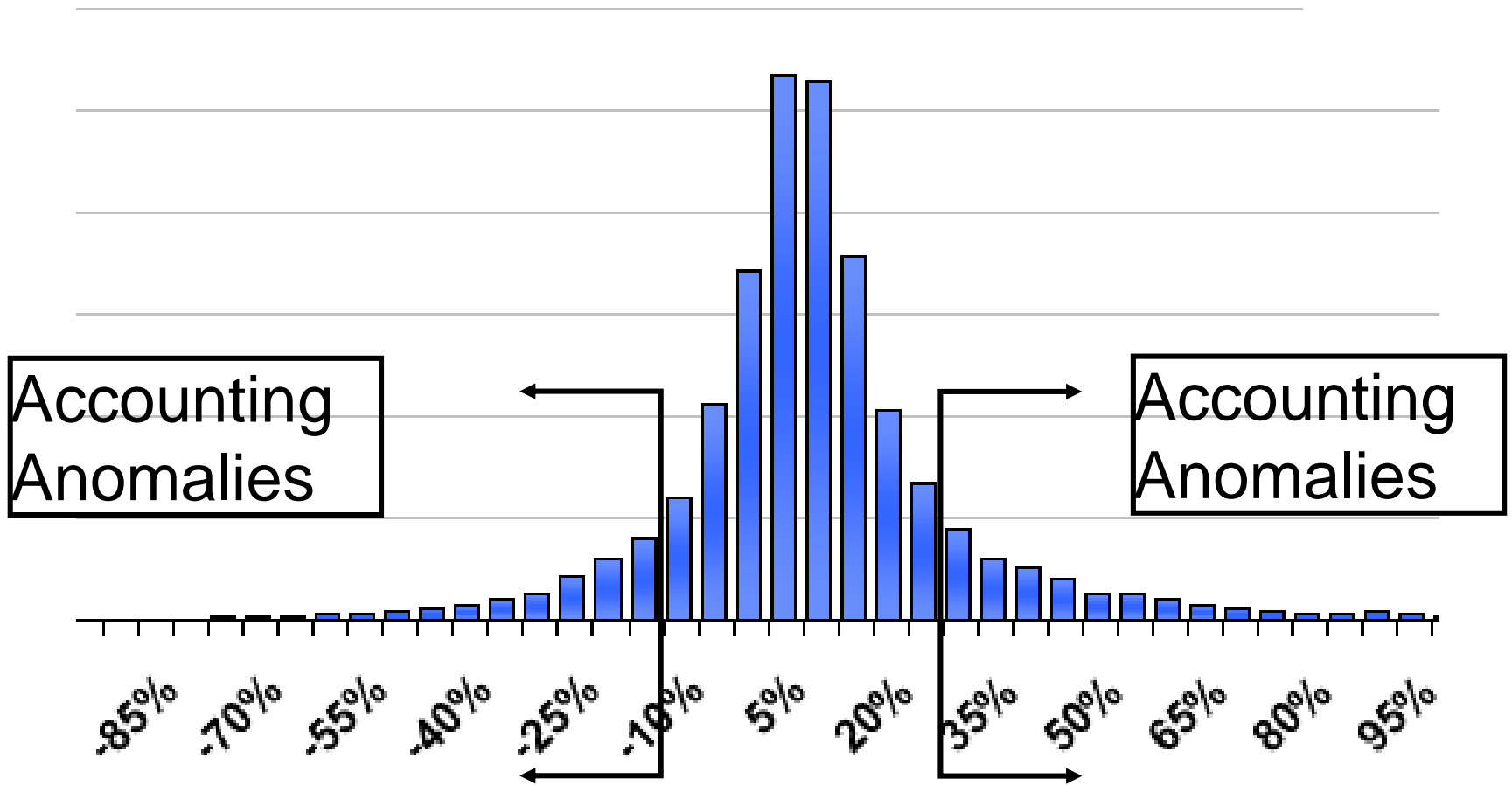
Yet, it's obvious that the real answer is \$30

The MCAPX calc would be wrong by 11% every year

Distribution Analysis - Change in Asset Life:



Distribution Analysis - Change in Asset Life:



Asset Life (Gross Plant)

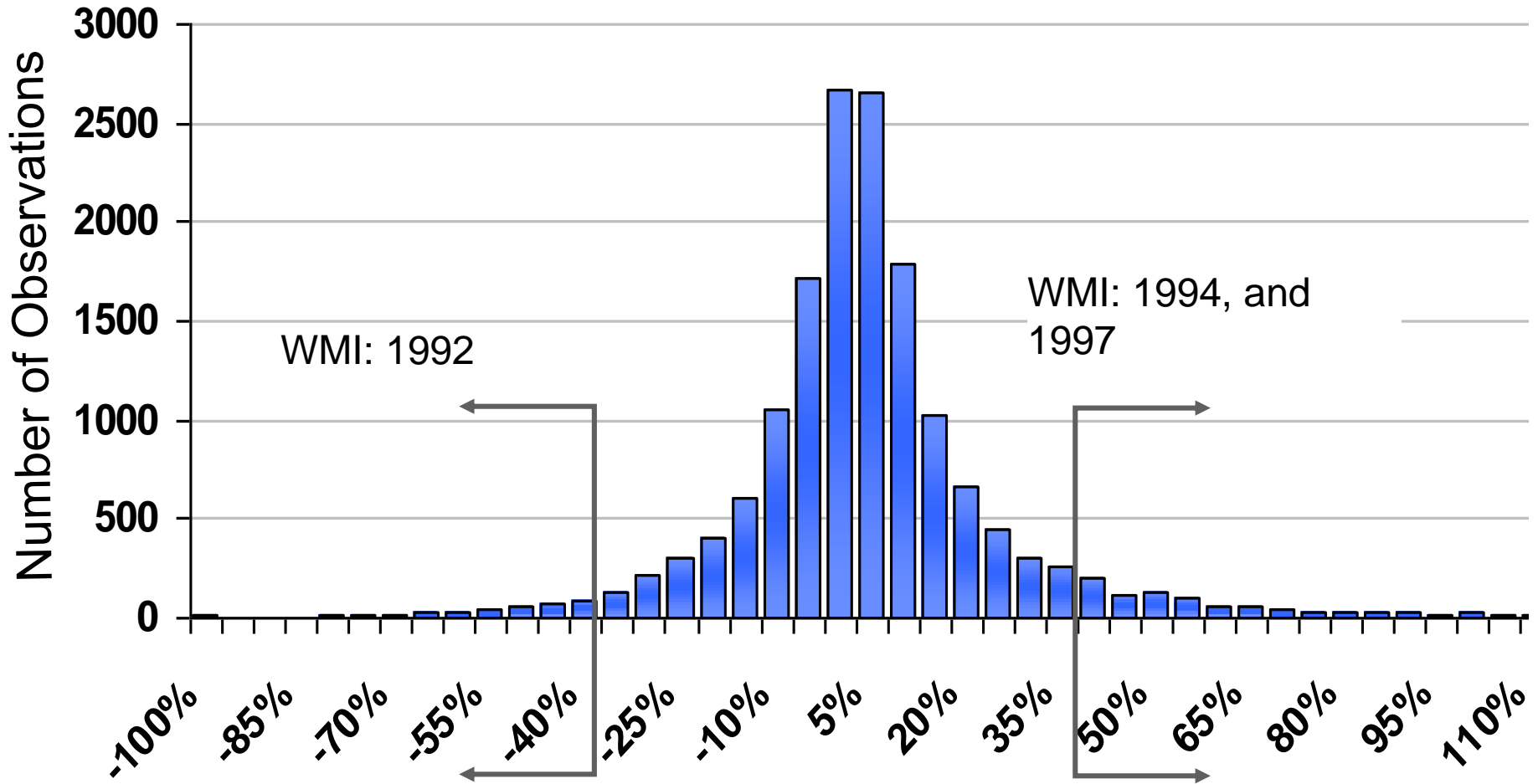
Asset Life (Gross Plant)	7.7	6.6	11.7
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Studying accounting “anomalies”

Materiality

Fluctuation

Asset Life: Financial Red Flag



WMI's asset life changed by greater than 40%...3X times within a seven-year period

98

“The Asset Life Signal” - e.g. WMI

The New York Times

Waste Management Stuck in Accounting Mire

January 30, 1998 - “...its problem with **misleading accounting goes back to 1992**, not 1994 as previously announced;

“...**huge charge against earnings...** as company revises the way it has accounted **for value of assets as well as ...expenses ...**

Source: www.nytimes.com

"In April 2002, charges were filed by the SEC against Waste Management's former most senior officers, including Dean L. Buntrock, founder, chair of the board of directors, and chief executive officer.

"SEC complaint alleged: He set earnings targets, fostered a culture of fraudulent accounting, personally directed certain of the accounting changes to make the targeted earnings, and was the spokesperson who announced the company's phony numbers."

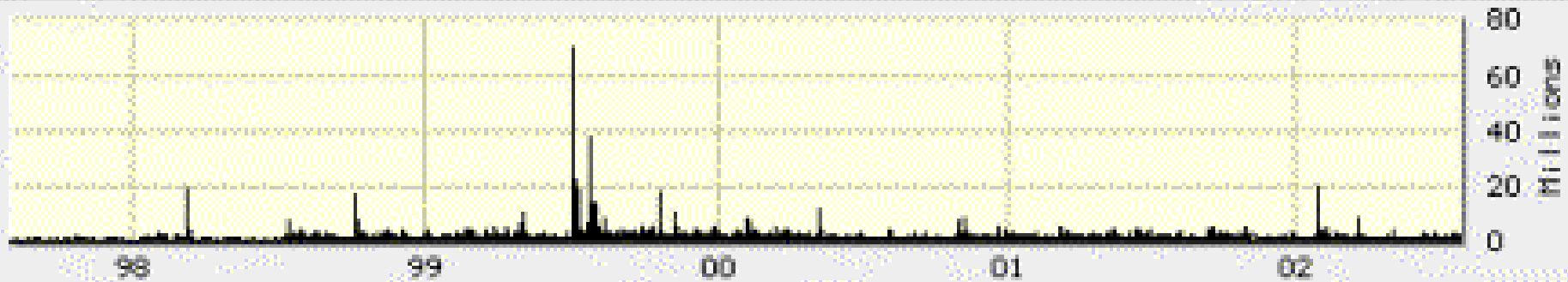
WMI

7/29/02



Volume

©BigCharts.com



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Asset Life in Regard to Fundamental Analysis

If GDP is generally positive:

- Average assets are slightly newer than they are old
- Less than half accumulated depreciation
- Average Net PP&E to Gross PP&E ratio >50%

MAN	2001 12/2001 USD	2002 12/2002 USD	2003 12/2003 USD	2004 12/2004 USD	2005 12/2005 USD	2006 12/2006 USD	2007 12/2007 USD	2008 12/2008 USD	2009 12/2009 USD
Depreciation Method	SL	SL	SL	SL	SL	SL	SL	SL	SL
Net Plant/Gross Plant Ratio	41.5	35.1	30.6	33.1	30.3	28.9	28.9	28.3	24.7

- Free cash flow is based on CAPX, not depreciation
- What can be expected of CAPX in the near term?

If GDP is generally positive:

- Average assets are slightly newer than they are old
- Less than half accumulated depreciation
- Average Net PP&E to Gross PP&E ratio >50%

MAN	2001 12/2001 USD	2002 12/2002 USD	2003 12/2003 USD	2004 12/2004 USD	2005 12/2005 USD	2006 12/2006 USD	2007 12/2007 USD	2008 12/2008 USD	2009 12/2009 USD
Depreciation Method	SL	SL	SL	SL	SL	SL	SL	SL	SL
Net Plant/Gross Plant Ratio	41.5	35.1	30.6	33.1	30.3	28.9	28.9	28.3	24.7

MAN	Calendar Year Fiscal Year	2004 12/2004 USD	2005 12/2005 USD	2006 12/2006 USD	2007 12/2007 USD	2008 12/2008 USD	2009 12/2009 USD
Net Income		246	260	306	485	219	(9)
Minus: Special Items (after-tax)		9	(13)	(13)	97	(157)	(131)

TEL (PLDT Phil.)	2005 12/2005 PHP	2006 12/2006 PHP	2007 12/2007 PHP	2008 12/2008 PHP	2009 12/2009 PHP
Asset Life (Gross Plant)					
Gross Plant (Adjusted)	316,498	334,212	345,320	350,847	365,988
Depreciation Expense	30,822	31,869	28,613	24,709	25,607
Gross Plant Project Life - Straight Line	10.3	10.5	12.1	14.2	14.3
Net Plant/Gross Plant Ratio	51.5	45.2	40.5	38.2	37.3

- Financial Red Flags... are only flags
- Over-depreciated assets (too short a life in the past)?
- A signal to adjust MCAPX and CAPX forecasts

CALCULATIONS FOR ASSET LIFE

PSE:JFC	2006 12/31/2006	2007 12/31/2007	2008 12/31/2008	2009 12/31/2009	2010 12/31/2010	2011 1/1/2012	2012 12/31/2012	2013 12/31/2013	2014 12/31/2014	2015 12/31/2015
PP&E Growth Rate										
Historic Organic Growth Rate of Combined Entity									0.1	11.0%
Implied CAPX										
Gross PP&E (excluding Land, CIP)	13,012.5	14,063.7	16,157.9	18,313.6	19,703.1	22,663.1	25,208.1	27,644.0	30,088.5	34,077.2
Depreciation Expense	1,573.8	1,579.6	1,728.9	2,085.9	1,978.0	2,401.6	2,705.6	3,072.5	3,180.6	3,418.2
Estimated Life of PP&E	8.3	8.9	9.3	8.8	10.0	9.4	9.3	9.0	9.5	10.0
Implied Maintenance Capex (Deflated Depreciation Expense)	1,929.6	1,916.9	2,155.1	2,624.4	2,524.6	3,055.0	3,325.6	3,685.3	3,820.3	3,990.5
Estimated Life of PP&E (3 year median)	8.4	8.7	8.9	8.9	9.3	9.4	9.4	9.3	9.3	9.5
Estimated Life of Leased Assets	8.4	8.7	8.9	8.9	9.3	9.4	9.4	9.3	9.3	9.5
Estimated Life of R&D	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Economic PP&E depreciation (PP&E/Life)	1,927.2	1,977.6	2,292.7	2,637.1	2,733.1	3,126.2	3,315.6	3,619.2	4,013.1	4,350.9
Economic Cap. Leases depr. (Cap. Rent/life of leases)	1,847.7	2,057.7	2,491.6	3,040.3	3,489.8	4,369.8	5,020.5	5,363.4	6,033.3	6,675.2
Economic R&D Depr (Cap. R&D/Life)	21.1	25.3	33.0	42.0	51.1	59.8	64.4	69.7	72.6	75.0
Sum of Economic depreciation	3,795.9	4,060.5	4,817.3	5,719.4	6,274.1	7,555.9	8,400.5	9,052.3	10,119.0	11,101.1
Harmonic mean of estimated lives	8.4	8.7	8.9	8.9	9.3	9.4	9.4	9.3	9.3	9.4
Net PP&E/Gross PP&E Ratio	46.5	47.0	45.9	40.9	40.1	40.7	40.5	39.5	39.9	38.7
Implied Average Age of Assets	4.5	4.6	4.8	5.3	5.6	5.6	5.6	5.6	5.6	5.8
Two-year moving average of implied age	4.5	4.6	4.7	5.0	5.4	5.6	5.6	5.6	5.6	5.7
NP/GP Implied End of Year Accumulated Depreciation Balance	6,964.1	7,459.0	8,738.2	10,818.0	11,795.2	13,434.8	14,998.8	16,734.4	18,072.9	20,886.2
Annual depreciation expense										
Less: retired accumulated depreciation										
Calculated end of year accumulated depreciation	6,964.1	7,459.0	8,738.2	10,818.0	11,795.2	13,434.8	14,998.8	16,734.4	18,072.9	20,886.2

CALCULATIONS FOR E' (ADJUSTED EARNINGS)

PSE:JFC	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
	12/31/2006	12/31/2007	12/31/2008	12/31/2009	12/31/2010	1/1/2012	12/31/2012	12/31/2013	12/31/2014	12/31/2015
Gross Earnings'	5,867.0	6,418.1	7,035.4	8,404.2	9,059.9	10,685.8	12,270.0	14,251.5	15,396.7	15,889.5
Maintenance CAPX/Economic Depreciation										
Depreciating Assets	31,916.9	35,354.9	42,762.1	50,759.1	58,414.7	71,037.1	78,987.2	84,038.4	93,964.9	104,682.9
Asset Life	8.4	8.7	8.9	8.9	9.3	9.4	9.4	9.3	9.3	9.4
Subtract: Economic Depreciation (aka Adj. MCAPIX)	3,795.9	4,060.5	4,817.3	5,719.4	6,274.1	7,555.9	8,400.5	9,052.3	10,119.0	11,101.1
Earnings'	2,071.1	2,357.6	2,218.1	2,684.8	2,785.8	3,129.9	3,869.5	5,199.2	5,277.6	4,788.4
Share Count	1,002.1	1,019.4	1,029.1	1,032.5	1,039.4	1,043.9	1,060.9	1,071.5	1,082.1	1,088.3
EPS'	2.07	2.31	2.16	2.60	2.68	3.00	3.65	4.85	4.88	4.40
<i>Traditional EPS</i>	2.15	2.34	2.25	2.58	3.08	3.13	3.51	4.36	4.95	4.53
Earnings as a % of Earnings'	104.1%	101.2%	104.6%	99.2%	114.8%	104.2%	96.3%	89.9%	101.6%	102.9%
Adjustment for Equity Earnings'										
Earnings'	2,071.1	2,357.6	2,218.1	2,684.8	2,785.8	3,129.9	3,869.5	5,199.2	5,277.6	4,788.4
Subtract: Interest Expense	80.41	55.47	105.08	218.91	193.20	291.34	206.01	152.92	152.47	225.54
Subtract: Interest Expense Tax Shield	20.57	13.21	29.10	59.19	44.93	73.59	48.72	37.28	28.66	48.67
Earnings''	1,970.12	2,288.92	2,083.94	2,406.70	2,547.70	2,764.99	3,614.81	5,008.98	5,096.51	4,514.21
EPS''	1.97	2.25	2.02	2.33	2.45	2.65	3.41	4.67	4.71	4.15
Earnings as a % of Equity Earnings'	109.5%	104.3%	111.3%	110.7%	125.5%	118.0%	103.1%	93.3%	105.2%	109.2%

CALCULATIONS FOR E' (ADJUSTED EARNINGS)

PSE:JFC	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
	12/31/2006	12/31/2007	12/31/2008	12/31/2009	12/31/2010	1/1/2012	12/31/2012	12/31/2013	12/31/2014	12/31/2015
Gross Earnings'	5,867.0	6,418.1	7,035.4	8,404.2	9,059.9	10,685.8	12,270.0	14,251.5	15,396.7	15,889.5
Maintenance CAPX/Economic Depreciation										
Depreciating Assets	31,916.9	35,354.9	42,762.1	50,759.1	58,414.7	71,037.1	78,987.2	84,038.4	93,964.9	104,682.9
Asset Life	8.4	8.7	8.9	8.9	9.3	9.4	9.4	9.3	9.3	9.4
Subtract: Economic Depreciation (aka Adj. MCAPIX)	3,795.9	4,060.5	4,817.3	5,719.4	6,274.1	7,555.9	8,400.5	9,052.3	10,119.0	11,101.1
Earnings'	2,071.1	2,357.6	2,218.1	2,684.8	2,785.8	3,129.9	3,869.5	5,199.2	5,277.6	4,788.4
Share Count	1,002.1	1,019.4	1,029.1	1,032.5	1,039.4	1,043.9	1,060.9	1,071.5	1,082.1	1,088.3
EPS'	2.07	2.31	2.16	2.60	2.68	3.00	3.65	4.85	4.88	4.40
Traditional EPS	2.15	2.34	2.25	2.58	3.08	3.13	3.51	4.36	4.95	4.53
Earnings as a % of Earnings'	104.1%	101.2%	104.6%	99.2%	114.8%	104.2%	96.3%	89.9%	101.6%	102.9%
Adjustment for Equity Earnings'										
Earnings'	2,071.1	2,357.6	2,218.1	2,684.8	2,785.8	3,129.9	3,869.5	5,199.2	5,277.6	4,788.4
Subtract: Interest Expense	80.41	55.47	105.08	218.91	193.20	291.34	206.01	152.92	152.47	225.54
Subtract: Interest Expense Tax Shield	20.57	13.21	29.10	59.19	44.93	73.59	48.72	37.28	28.66	48.67
Earnings''	1,970.12	2,288.92	2,083.94	2,406.70	2,547.70	2,764.99	3,614.81	5,008.98	5,096.51	4,514.21
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Earnings as a % of Equity Earnings'	109.5%	104.3%	111.3%	110.7%	125.5%	118.0%	103.1%	93.3%	105.2%	109.2%

Translating, scrubbing, cleaning-up, apples-to-apples

- Earnings or CFFO \rightarrow E' = “Enterprise Earnings”
- Book Assets \rightarrow A' = “Assets of the Enterprise”
- ROE, RONA, ROA \rightarrow ROA'
- CAPX \rightarrow Enterprise Asset Growth
- Price \rightarrow Enterprise value, V'
- Price-to-Book \rightarrow V/A'
- Price-to-earnings \rightarrow V/E'

Translating, scrubbing, cleaning-up, apples-to-apples

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- CAPX \rightarrow Enterprise Asset Growth
- Price \rightarrow Enterprise value, V'
- Price-to-Book \rightarrow V/A'
- Price-to-earnings \rightarrow V/E'

CALCULATIONS FOR ADJUSTED NET WORKING CAPITAL

PSE:JFC	2006 12/31/2006	2007 12/31/2007	2008 12/31/2008	2009 12/31/2009	2010 12/31/2010	2011 1/1/2012	2012 12/31/2012	2013 12/31/2013	2014 12/31/2014	2015 12/31/2015
Cash & Short-Term Investments	4,452.4	5,575.9	6,878.9	8,977.3	8,170.5	6,655.3	8,848.6	9,903.9	7,618.5	12,419.9
Excess Cash	2,756.9	3,641.3	4,684.3	6,515.9	5,385.3	3,527.6	5,223.9	5,845.2	3,021.2	7,277.2
Operating Cash & Short-Term Investments	1,695.6	1,934.7	2,194.6	2,461.3	2,785.2	3,127.7	3,624.7	4,058.7	4,597.3	5,142.7
Accounts Receivable	1,488.4	1,818.3	1,805.1	1,754.5	1,837.7	2,388.6	2,454.6	2,853.9	7,270.3	5,055.1
Financial Subsidiary Receivable	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Accounts Receivable - Adj	1,488.4	1,818.3	1,805.1	1,754.5	1,837.7	2,388.6	2,454.6	2,853.9	7,270.3	5,055.1
Inventory	1,266.3	1,629.4	2,727.5	1,729.4	2,134.5	2,860.1	2,629.7	3,560.4	5,971.8	5,478.4
LIFO Reserve	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Inventory - Adj	1,266.3	1,629.4	2,727.5	1,729.4	2,134.5	2,860.1	2,629.7	3,560.4	5,971.8	5,478.4
Other Current Assets	450.9	1,142.8	517.1	240.2	784.4	1,354.9	662.8	953.1	1,679.4	2,466.8
Prepaid Expenses	221.3	222.3	395.8	509.9	519.0	0.0	751.4	909.5	1,191.2	1,526.0
Other Receivables	626.3	20.3	441.0	671.1	126.5	175.3	276.0	203.5	290.3	223.0
Other Current Assets - Adj	1,298.5	1,385.4	1,353.9	1,421.1	1,429.8	1,530.2	1,690.2	2,066.0	3,160.8	4,215.7
Current Assets	5,748.8	6,767.8	8,081.1	7,366.4	8,187.2	9,906.7	10,399.3	12,539.0	21,000.2	19,891.9
Accounts Payable	2,813.7	2,257.3	3,508.7	3,720.4	3,601.6	10,165.6	4,717.1	6,006.6	6,575.9	9,433.8
Income Taxes Payable	8.9	83.7	82.5	135.9	167.8	154.7	79.0	154.7	181.8	236.0
Accrued Expenses, Total	1,762.3	2,294.2	2,491.7	4,508.9	4,886.9	0.0	5,986.5	7,256.6	8,543.0	8,669.6
Other Current Liabilities	1,731.5	2,721.2	2,421.3	909.9	854.4	104.8	1,265.9	1,094.4	1,209.7	1,518.6
Current Pension Liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Current Postretirement Liability	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Current Pension/Postretirement Liability	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Current Liabilities	3,493.8	5,015.4	4,913.0	5,418.8	5,741.3	104.8	7,252.4	8,351.0	9,752.7	10,188.1
Non Current Unearned Revenue	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Current Liabilities	6,316.3	7,356.4	8,504.3	9,275.1	9,510.6	10,425.1	12,048.4	14,512.3	16,510.4	19,857.9
Net Working Capital	(567.5)	(588.6)	(423.2)	(1,908.7)	(1,323.4)	(518.4)	(1,649.1)	(1,973.3)	4,489.8	34.1

CALCULATIONS FOR ADJUSTED NET WORKING CAPITAL

PSE:JFC	2006 12/31/2006	2007 12/31/2007	2008 12/31/2008	2009 12/31/2009	2010 12/31/2010	2011 1/1/2012	2012 12/31/2012	2013 12/31/2013	2014 12/31/2014	2015 12/31/2015
Cash & Short-Term Investments	4,452.4	5,575.9	6,878.9	8,977.3	8,170.5	6,655.3	8,848.6	9,903.9	7,618.5	12,419.9
Excess Cash	2,756.9	3,641.3	4,684.3	6,515.9	5,385.3	3,527.6	5,223.9	5,845.2	3,021.2	7,277.2
Operating Cash & Short-Term Investments										
Investments	1,695.6	1,934.7	2,194.6	2,461.3	2,785.2	3,127.7	3,624.7	4,058.7	4,597.3	5,142.7
Accounts Receivable	1,488.4	1,818.3	1,805.1	1,754.5	1,837.7	2,388.6	2,454.6	2,853.9	7,270.3	5,055.1
Financial Subsidiary Receivable	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Accounts Receivable - Adj	1,488.4	1,818.3	1,805.1	1,754.5	1,837.7	2,388.6	2,454.6	2,853.9	7,270.3	5,055.1
Inventory	1,266.3	1,629.4	2,727.5	1,729.4	2,134.5	2,860.1	2,629.7	3,560.4	5,971.8	5,478.4
LIFO Reserve	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Inventory - Adj	1,266.3	1,629.4	2,727.5	1,729.4	2,134.5	2,860.1	2,629.7	3,560.4	5,971.8	5,478.4
Other Current Assets	450.9	1,142.8	517.1	240.2	784.4	1,354.9	662.8	953.1	1,679.4	2,466.8
Prepaid Expenses	221.3	222.3	395.8	509.9	519.0	0.0	751.4	909.5	1,191.2	1,526.0
Other Receivables	626.3	20.3	441.0	671.1	126.5	175.3	276.0	203.5	290.3	223.0
Other Current Assets - Adj	1,298.5	1,385.4	1,353.9	1,421.1	1,429.8	1,530.2	1,690.2	2,066.0	3,160.8	4,215.7
Current Assets	5,748.8	6,767.8	8,081.1	7,366.4	8,187.2	9,906.7	10,399.3	12,539.0	21,000.2	19,891.9
Accounts Payable	2,813.7	2,257.3	3,508.7	3,720.4	3,601.6	10,165.6	4,717.1	6,006.6	6,575.9	9,433.8
Income Taxes Payable	8.9	83.7	82.5	135.9	167.8	154.7	79.0	154.7	181.8	236.0
Accrued Expenses, Total	1,762.3	2,294.2	2,491.7	4,508.9	4,886.9	0.0	5,986.5	7,256.6	8,543.0	8,669.6
Other Current Liabilities	1,731.5	2,721.2	2,421.3	909.9	854.4	104.8	1,265.9	1,094.4	1,209.7	1,518.6
Current Pension Liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Current Postretirement Liability	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Current Pension/Postretirement Liability	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Current Liabilities	3,493.8	5,015.4	4,913.0	5,418.8	5,741.3	104.8	7,252.4	8,351.0	9,752.7	10,188.1
Non Current Unearned Revenue	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Current Liabilities	6,316.3	7,356.4	8,504.3	9,275.1	9,510.6	10,425.1	12,048.4	14,512.3	16,510.4	19,857.9
Net Working Capital	(567.5)	(588.6)	(423.2)	(1,908.7)	(1,323.4)	(518.4)	(1,649.1)	(1,973.3)	4,489.8	34.1

How much of Excess Cash is truly “excess”?

The problem with “net debt”

- Ask a credit analyst
- More than just a “warchest”
- 10% of sales is an unfortunate “averaging”

What does the data say?

How much of Excess Cash is truly excess?

2,890 companies over 10 years, so 28,900 individual datapoints

- 1x Cash to Un-incurred Operating Expenditures
- 2x Cash to R&D Expense
- 5% of sales in Cash

CALCULATIONS FOR EXCESS CASH

PSE:JFC	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
	12/31/2006	12/31/2007	12/31/2008	12/31/2009	12/31/2010	1/1/2012	12/31/2012	12/31/2013	12/31/2014	12/31/2015
Excess Cash (2* Median R&D Expense)	43.8	53.2	65.7	99.8	123.7	126.0	123.7	141.8	155.2	155.2
Current Unearned Revenue	0.0	0.0	0.0	67.2	123.1	0.0	75.9	47.6	67.6	108.8
LT Unearned Revenue	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Unearned COGS	0.0	0.0	0.0	63.4	116.6	0.0	71.7	44.5	63.7	103.7
Revenue	33,911.2	38,693.7	43,891.6	47,957.7	53,371.7	62,554.9	71,059.0	80,282.8	90,671.2	100,779.7
5% of Revenue	1,695.6	1,934.7	2,194.6	2,397.9	2,668.6	3,127.7	3,553.0	4,014.1	4,533.6	5,039.0
Total cash per the financials	4,452.4	5,575.9	6,878.9	8,977.3	8,170.5	6,655.3	8,848.6	9,903.9	7,618.5	12,419.9
Excess Cash (formula e.g. 4x R&D, etc.)	2,756.9	3,641.3	4,684.3	6,515.9	5,385.3	3,527.6	5,223.9	5,845.2	3,021.2	7,277.2
Cash restated for the GIC calculation (Curr assets)	1,695.6	1,934.7	2,194.6	2,461.3	2,785.2	3,127.7	3,624.7	4,058.7	4,597.3	5,142.7
Other non-operating assets manually removed above	0.0	46.2	76.8	155.2	179.1	123.8	1,262.6	1,143.7	1,092.5	5,922.5
Value of total non-operating cash/assets	2,756.9	3,687.4	4,761.0	6,671.2	5,564.4	3,651.4	6,486.5	6,988.9	4,113.8	13,199.8

CALCULATIONS FOR ADJUSTED NET WORKING CAPITAL

PSE:JFC	2006 12/31/2006	2007 12/31/2007	2008 12/31/2008	2009 12/31/2009	2010 12/31/2010	2011 1/1/2012	2012 12/31/2012	2013 12/31/2013	2014 12/31/2014	2015 12/31/2015
Cash & Short-Term Investments	4,452.4	5,575.9	6,878.9	8,977.3	8,170.5	6,655.3	8,848.6	9,903.9	7,618.5	12,419.9
Excess Cash	2,756.9	3,641.3	4,684.3	6,515.9	5,385.3	3,527.6	5,223.9	5,845.2	3,021.2	7,277.2
Operating Cash & Short-Term Investments										
Investments	1,695.6	1,934.7	2,194.6	2,461.3	2,785.2	3,127.7	3,624.7	4,058.7	4,597.3	5,142.7
Accounts Receivable	1,488.4	1,818.3	1,805.1	1,754.5	1,837.7	2,388.6	2,454.6	2,853.9	7,270.3	5,055.1
Financial Subsidiary Receivable	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Accounts Receivable - Adj	1,488.4	1,818.3	1,805.1	1,754.5	1,837.7	2,388.6	2,454.6	2,853.9	7,270.3	5,055.1
Inventory	1,266.3	1,629.4	2,727.5	1,729.4	2,134.5	2,860.1	2,629.7	3,560.4	5,971.8	5,478.4
LIFO Reserve	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Inventory - Adj	1,266.3	1,629.4	2,727.5	1,729.4	2,134.5	2,860.1	2,629.7	3,560.4	5,971.8	5,478.4
Other Current Assets	450.9	1,142.8	517.1	240.2	784.4	1,354.9	662.8	953.1	1,679.4	2,466.8
Prepaid Expenses	221.3	222.3	395.8	509.9	519.0	0.0	751.4	909.5	1,191.2	1,526.0
Other Receivables	626.3	20.3	441.0	671.1	126.5	175.3	276.0	203.5	290.3	223.0
Other Current Assets - Adj	1,298.5	1,385.4	1,353.9	1,421.1	1,429.8	1,530.2	1,690.2	2,066.0	3,160.8	4,215.7
Current Assets	5,748.8	6,767.8	8,081.1	7,366.4	8,187.2	9,906.7	10,399.3	12,539.0	21,000.2	19,891.9
Accounts Payable	2,813.7	2,257.3	3,508.7	3,720.4	3,601.6	10,165.6	4,717.1	6,006.6	6,575.9	9,433.8
Income Taxes Payable	8.9	83.7	82.5	135.9	167.8	154.7	79.0	154.7	181.8	236.0
Accrued Expenses, Total	1,762.3	2,294.2	2,491.7	4,508.9	4,886.9	0.0	5,986.5	7,256.6	8,543.0	8,669.6
Other Current Liabilities	1,731.5	2,721.2	2,421.3	909.9	854.4	104.8	1,265.9	1,094.4	1,209.7	1,518.6
Current Pension Liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Current Postretirement Liability	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Current Pension/Postretirement Liability	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Current Liabilities	3,493.8	5,015.4	4,913.0	5,418.8	5,741.3	104.8	7,252.4	8,351.0	9,752.7	10,188.1
Non Current Unearned Revenue	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Current Liabilities	6,316.3	7,356.4	8,504.3	9,275.1	9,510.6	10,425.1	12,048.4	14,512.3	16,510.4	19,857.9
Net Working Capital	(567.5)	(588.6)	(423.2)	(1,908.7)	(1,323.4)	(518.4)	(1,649.1)	(1,973.3)	4,489.8	34.1

CALCULATIONS FOR ADJUSTED NET WORKING CAPITAL

PSE:JFC	2006 12/31/2006	2007 12/31/2007	2008 12/31/2008	2009 12/31/2009	2010 12/31/2010	2011 1/1/2012	2012 12/31/2012	2013 12/31/2013	2014 12/31/2014	2015 12/31/2015
Cash & Short-Term Investments	4,452.4	5,575.9	6,878.9	8,977.3	8,170.5	6,655.3	8,848.6	9,903.9	7,618.5	12,419.9
Excess Cash	2,756.9	3,641.3	4,684.3	6,515.9	5,385.3	3,527.6	5,223.9	5,845.2	3,021.2	7,277.2
Operating Cash & Short-Term										
Investments	1,695.6	1,934.7	2,194.6	2,461.3	2,785.2	3,127.7	3,624.7	4,058.7	4,597.3	5,142.7
Accounts Receivable	1,488.4	1,818.3	1,805.1	1,754.5	1,837.7	2,388.6	2,454.6	2,853.9	7,270.3	5,055.1
Financial Subsidiary Receivable	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Accounts Receivable - Adj	1,488.4	1,818.3	1,805.1	1,754.5	1,837.7	2,388.6	2,454.6	2,853.9	7,270.3	5,055.1
Inventory	1,266.3	1,629.4	2,727.5	1,729.4	2,134.5	2,860.1	2,629.7	3,560.4	5,971.8	5,478.4
LIFO Reserve	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Inventory - Adj	1,266.3	1,629.4	2,727.5	1,729.4	2,134.5	2,860.1	2,629.7	3,560.4	5,971.8	5,478.4
Other Current Assets	450.9	1,142.8	517.1	240.2	784.4	1,354.9	662.8	953.1	1,679.4	2,466.8
Prepaid Expenses	221.3	222.3	395.8	509.9	519.0	0.0	751.4	909.5	1,191.2	1,526.0
Other Receivables	626.3	20.3	441.0	671.1	126.5	175.3	276.0	203.5	290.3	223.0
Other Current Assets - Adj	1,298.5	1,385.4	1,353.9	1,421.1	1,429.8	1,530.2	1,690.2	2,066.0	3,160.8	4,215.7
Current Assets	5,748.8	6,767.8	8,081.1	7,366.4	8,187.2	9,906.7	10,399.3	12,539.0	21,000.2	19,891.9
Accounts Payable	2,813.7	2,257.3	3,508.7	3,720.4	3,601.6	10,165.6	4,717.1	6,006.6	6,575.9	9,433.8
Income Taxes Payable	8.9	83.7	82.5	135.9	167.8	154.7	79.0	154.7	181.8	236.0
Accrued Expenses, Total	1,762.3	2,294.2	2,491.7	4,508.9	4,886.9	0.0	5,986.5	7,256.6	8,543.0	8,669.6
Other Current Liabilities	1,731.5	2,721.2	2,421.3	909.9	854.4	104.8	1,265.9	1,094.4	1,209.7	1,518.6
Current Pension Liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Current Postretirement Liability	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Current Pension/Postretirement Liability	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Current Liabilities	3,493.8	5,015.4	4,913.0	5,418.8	5,741.3	104.8	7,252.4	8,351.0	9,752.7	10,188.1
Non Current Unearned Revenue	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Current Liabilities	6,316.3	7,356.4	8,504.3	9,275.1	9,510.6	10,425.1	12,048.4	14,512.3	16,510.4	19,857.9
Net Working Capital	(567.5)	(588.6)	(423.2)	(1,908.7)	(1,323.4)	(518.4)	(1,649.1)	(1,973.3)	4,489.8	34.1

CALCULATIONS FOR ADJUSTED NET WORKING CAPITAL

PSE:JFC	2006 12/31/2006	2007 12/31/2007	2008 12/31/2008	2009 12/31/2009	2010 12/31/2010	2011 1/1/2012	2012 12/31/2012	2013 12/31/2013	2014 12/31/2014	2015 12/31/2015
Cash & Short-Term Investments	4,452.4	5,575.9	6,878.9	8,977.3	8,170.5	6,655.3	8,848.6	9,903.9	7,618.5	12,419.9
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Operating Cash & Short-Term Investments	1,695.6	1,934.7	2,194.6	2,461.3	2,785.2	3,127.7	3,624.7	4,058.7	4,597.3	5,142.7
Accounts Receivable	1,488.4	1,818.3	1,805.1	1,754.5	1,837.7	2,388.6	2,454.6	2,853.9	7,270.3	5,055.1
Financial Subsidiary Receivable	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Accounts Receivable - Adj	1,488.4	1,818.3	1,805.1	1,754.5	1,837.7	2,388.6	2,454.6	2,853.9	7,270.3	5,055.1
Inventory	1,266.3	1,629.4	2,727.5	1,729.4	2,134.5	2,860.1	2,629.7	3,560.4	5,971.8	5,478.4
LIFO Reserve	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Inventory - Adj	1,266.3	1,629.4	2,727.5	1,729.4	2,134.5	2,860.1	2,629.7	3,560.4	5,971.8	5,478.4
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Other Current Liabilities	1,731.5	2,721.2	2,421.3	909.9	854.4	104.8	1,265.9	1,094.4	1,209.7	1,518.6
Current Pension Liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Current Postretirement Liability	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Current Pension/Postretirement Liability	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Current Liabilities	3,493.8	5,015.4	4,913.0	5,418.8	5,741.3	104.8	7,252.4	8,351.0	9,752.7	10,188.1
Non Current Unearned Revenue	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Current Liabilities	6,316.3	7,356.4	8,504.3	9,275.1	9,510.6	10,425.1	12,048.4	14,512.3	16,510.4	19,857.9
Net Working Capital	(567.5)	(588.6)	(423.2)	(1,908.7)	(1,323.4)	(518.4)	(1,649.1)	(1,973.3)	4,489.8	34.1

CALCULATIONS FOR ADJUSTED NET WORKING CAPITAL

PSE:JFC	2006 12/31/2006	2007 12/31/2007	2008 12/31/2008	2009 12/31/2009	2010 12/31/2010	2011 1/1/2012	2012 12/31/2012	2013 12/31/2013	2014 12/31/2014	2015 12/31/2015
Cash & Short-Term Investments	4,452.4	5,575.9	6,878.9	8,977.3	8,170.5	6,655.3	8,848.6	9,903.9	7,618.5	12,419.9
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Operating Cash & Short-Term Investments	1,695.6	1,934.7	2,194.6	2,461.3	2,785.2	3,127.7	3,624.7	4,058.7	4,597.3	5,142.7
Accounts Receivable	1,488.4	1,818.3	1,805.1	1,754.5	1,837.7	2,388.6	2,454.6	2,853.9	7,270.3	5,055.1
Financial Subsidiary Receivable	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Accounts Receivable - Adj	1,488.4	1,818.3	1,805.1	1,754.5	1,837.7	2,388.6	2,454.6	2,853.9	7,270.3	5,055.1
Inventory	1,266.3	1,629.4	2,727.5	1,729.4	2,134.5	2,860.1	2,629.7	3,560.4	5,971.8	5,478.4
LIFO Reserve	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Inventory - Adj	1,266.3	1,629.4	2,727.5	1,729.4	2,134.5	2,860.1	2,629.7	3,560.4	5,971.8	5,478.4
Other Current Assets	450.9	1,142.8	517.1	240.2	784.4	1,354.9	662.8	953.1	1,679.4	2,466.8
Prepaid Expenses	221.3	222.3	395.8	509.9	519.0	0.0	751.4	909.5	1,191.2	1,526.0
Other Receivables	626.3	20.3	441.0	671.1	126.5	175.3	276.0	203.5	290.3	223.0
Other Current Assets - Adj	1,298.5	1,385.4	1,353.9	1,421.1	1,429.8	1,530.2	1,690.2	2,066.0	3,160.8	4,215.7
Current Assets	5,748.8	6,767.8	8,081.1	7,366.4	8,187.2	9,906.7	10,399.3	12,539.0	21,000.2	19,891.9
Accounts Payable	2,813.7	2,257.3	3,508.7	3,720.4	3,601.6	10,165.6	4,717.1	6,006.6	6,575.9	9,433.8
Income Taxes Payable	8.9	83.7	82.5	135.9	167.8	154.7	79.0	154.7	181.8	236.0
Accrued Expenses, Total	1,762.3	2,294.2	2,491.7	4,508.9	4,886.9	0.0	5,986.5	7,256.6	8,543.0	8,669.6
Other Current Liabilities	1,731.5	2,721.2	2,421.3	909.9	854.4	104.8	1,265.9	1,094.4	1,209.7	1,518.6
Current Pension Liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Current Postretirement Liability	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Current Pension/Postretirement Liability	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Current Liabilities	3,493.8	5,015.4	4,913.0	5,418.8	5,741.3	104.8	7,252.4	8,351.0	9,752.7	10,188.1
Non Current Unearned Revenue	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Current Liabilities	6,316.3	7,356.4	8,504.3	9,275.1	9,510.6	10,425.1	12,048.4	14,512.3	16,510.4	19,857.9
Net Working Capital	(567.5)	(588.6)	(423.2)	(1,908.7)	(1,323.4)	(518.4)	(1,649.1)	(1,973.3)	4,489.8	34.1

Inventory Inconsistencies – earnings and assets

LIFO and FIFO

- LIFO FIST
- FIFOLIST

What is the most recent pricing for both COGS and Inventory?

CALCULATIONS FOR ADJUSTED NET WORKING CAPITAL

PSE:JFC	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
	12/31/2006	12/31/2007	12/31/2008	12/31/2009	12/31/2010	1/1/2012	12/31/2012	12/31/2013	12/31/2014	12/31/2015
Cash & Short-Term Investments	4,452.4	5,575.9	6,878.9	8,977.3	8,170.5	6,655.3	8,848.6	9,903.9	7,618.5	12,419.9
Excess Cash	2,756.9	3,641.3	4,684.3	6,515.9	5,385.3	3,527.6	5,223.9	5,845.2	3,021.2	7,277.2
Operating Cash & Short-Term Investments	1,695.6	1,934.7	2,194.6	2,461.3	2,785.2	3,127.7	3,624.7	4,058.7	4,597.3	5,142.7
Accounts Receivable	1,488.4	1,818.3	1,805.1	1,754.5	1,837.7	2,388.6	2,454.6	2,853.9	7,270.3	5,055.1
Financial Subsidiary Receivable	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Accounts Receivable - Adj	1,488.4	1,818.3	1,805.1	1,754.5	1,837.7	2,388.6	2,454.6	2,853.9	7,270.3	5,055.1
Inventory	1,266.3	1,629.4	2,727.5	1,729.4	2,134.5	2,860.1	2,629.7	3,560.4	5,971.8	5,478.4
LIFO Reserve	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Inventory - Adj	1,266.3	1,629.4	2,727.5	1,729.4	2,134.5	2,860.1	2,629.7	3,560.4	5,971.8	5,478.4
Other Current Assets	450.9	1,142.8	517.1	240.2	784.4	1,354.9	662.8	953.1	1,679.4	2,466.8
Prepaid Expenses	221.3	222.3	395.8	509.9	519.0	0.0	751.4	909.5	1,191.2	1,526.0
Other Receivables	626.3	20.3	441.0	671.1	126.5	175.3	276.0	203.5	290.3	223.0
Other Current Assets - Adj	1,298.5	1,385.4	1,353.9	1,421.1	1,429.8	1,530.2	1,690.2	2,066.0	3,160.8	4,215.7
Current Assets	5,748.8	6,767.8	8,081.1	7,366.4	8,187.2	9,906.7	10,399.3	12,539.0	21,000.2	19,891.9
Accounts Payable	2,813.7	2,257.3	3,508.7	3,720.4	3,601.6	10,165.6	4,717.1	6,006.6	6,575.9	9,433.8
Income Taxes Payable	8.9	83.7	82.5	135.9	167.8	154.7	79.0	154.7	181.8	236.0
Accrued Expenses, Total	1,762.3	2,294.2	2,491.7	4,508.9	4,886.9	0.0	5,986.5	7,256.6	8,543.0	8,669.6
Other Current Liabilities	1,731.5	2,721.2	2,421.3	909.9	854.4	104.8	1,265.9	1,094.4	1,209.7	1,518.6
Current Pension Liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Current Postretirement Liability	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Current Pension/Postretirement Liability	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Current Liabilities	3,493.8	5,015.4	4,913.0	5,418.8	5,741.3	104.8	7,252.4	8,351.0	9,752.7	10,188.1
Non Current Unearned Revenue	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Current Liabilities	6,316.3	7,356.4	8,504.3	9,275.1	9,510.6	10,425.1	12,048.4	14,512.3	16,510.4	19,857.9
Net Working Capital	(567.5)	(588.6)	(423.2)	(1,908.7)	(1,323.4)	(518.4)	(1,649.1)	(1,973.3)	4,489.8	34.1

CALCULATIONS FOR ADJUSTED NET WORKING CAPITAL

PSE:JFC	2006 12/31/2006	2007 12/31/2007	2008 12/31/2008	2009 12/31/2009	2010 12/31/2010	2011 1/1/2012	2012 12/31/2012	2013 12/31/2013	2014 12/31/2014	2015 12/31/2015
Cash & Short-Term Investments	4,452.4	5,575.9	6,878.9	8,977.3	8,170.5	6,655.3	8,848.6	9,903.9	7,618.5	12,419.9
Excess Cash	2,756.9	3,641.3	4,684.3	6,515.9	5,385.3	3,527.6	5,223.9	5,845.2	3,021.2	7,277.2
Operating Cash & Short-Term Investments	1,695.6	1,934.7	2,194.6	2,461.3	2,785.2	3,127.7	3,624.7	4,058.7	4,597.3	5,142.7
Accounts Receivable	1,488.4	1,818.3	1,805.1	1,754.5	1,837.7	2,388.6	2,454.6	2,853.9	7,270.3	5,055.1
Financial Subsidiary Receivable	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Accounts Receivable - Adj	1,488.4	1,818.3	1,805.1	1,754.5	1,837.7	2,388.6	2,454.6	2,853.9	7,270.3	5,055.1
Inventory	1,266.3	1,629.4	2,727.5	1,729.4	2,134.5	2,860.1	2,629.7	3,560.4	5,971.8	5,478.4
LIFO Reserve	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Inventory - Adj	1,266.3	1,629.4	2,727.5	1,729.4	2,134.5	2,860.1	2,629.7	3,560.4	5,971.8	5,478.4
Other Current Assets	450.9	1,142.8	517.1	240.2	784.4	1,354.9	662.8	953.1	1,679.4	2,466.8
Prepaid Expenses	221.3	222.3	395.8	509.9	519.0	0.0	751.4	909.5	1,191.2	1,526.0
Other Receivables	626.3	20.3	441.0	671.1	126.5	175.3	276.0	203.5	290.3	223.0
Other Current Assets - Adj	1,298.5	1,385.4	1,353.9	1,421.1	1,429.8	1,530.2	1,690.2	2,066.0	3,160.8	4,215.7
Current Assets	5,748.8	6,767.8	8,081.1	7,366.4	8,187.2	9,906.7	10,399.3	12,539.0	21,000.2	19,891.9
Accounts Payable	2,813.7	2,257.3	3,508.7	3,720.4	3,601.6	10,165.6	4,717.1	6,006.6	6,575.9	9,433.8
Income Taxes Payable	8.9	83.7	82.5	135.9	167.8	154.7	79.0	154.7	181.8	236.0
Accrued Expenses, Total	1,762.3	2,294.2	2,491.7	4,508.9	4,886.9	0.0	5,986.5	7,256.6	8,543.0	8,669.6
Other Current Liabilities	1,731.5	2,721.2	2,421.3	909.9	854.4	104.8	1,265.9	1,094.4	1,209.7	1,518.6
Current Pension Liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Current Postretirement Liability	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Current Pension/Postretirement Liability	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Current Liabilities	3,493.8	5,015.4	4,913.0	5,418.8	5,741.3	104.8	7,252.4	8,351.0	9,752.7	10,188.1
Non Current Unearned Revenue	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Current Liabilities	6,316.3	7,356.4	8,504.3	9,275.1	9,510.6	10,425.1	12,048.4	14,512.3	16,510.4	19,857.9
Net Working Capital	(567.5)	(588.6)	(423.2)	(1,908.7)	(1,323.4)	(518.4)	(1,649.1)	(1,973.3)	4,489.8	34.1

CALCULATIONS FOR ADJUSTED NET WORKING CAPITAL

PSE:JFC	2006 12/31/2006	2007 12/31/2007	2008 12/31/2008	2009 12/31/2009	2010 12/31/2010	2011 1/1/2012	2012 12/31/2012	2013 12/31/2013	2014 12/31/2014	2015 12/31/2015
Cash & Short-Term Investments	4,452.4	5,575.9	6,878.9	8,977.3	8,170.5	6,655.3	8,848.6	9,903.9	7,618.5	12,419.9
Excess Cash	2,756.9	3,641.3	4,684.3	6,515.9	5,385.3	3,527.6	5,223.9	5,845.2	3,021.2	7,277.2
Operating Cash & Short-Term Investments	1,695.6	1,934.7	2,194.6	2,461.3	2,785.2	3,127.7	3,624.7	4,058.7	4,597.3	5,142.7
Accounts Receivable	1,488.4	1,818.3	1,805.1	1,754.5	1,837.7	2,388.6	2,454.6	2,853.9	7,270.3	5,055.1
Financial Subsidiary Receivable	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Accounts Receivable - Adj	1,488.4	1,818.3	1,805.1	1,754.5	1,837.7	2,388.6	2,454.6	2,853.9	7,270.3	5,055.1
Inventory	1,266.3	1,629.4	2,727.5	1,729.4	2,134.5	2,860.1	2,629.7	3,560.4	5,971.8	5,478.4
LIFO Reserve	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Inventory - Adj	1,266.3	1,629.4	2,727.5	1,729.4	2,134.5	2,860.1	2,629.7	3,560.4	5,971.8	5,478.4
Other Current Assets	450.9	1,142.8	517.1	240.2	784.4	1,354.9	662.8	953.1	1,679.4	2,466.8
Prepaid Expenses	221.3	222.3	395.8	509.9	519.0	0.0	751.4	909.5	1,191.2	1,526.0
Other Receivables	626.3	20.3	441.0	671.1	126.5	175.3	276.0	203.5	290.3	223.0
Other Current Assets - Adj	1,298.5	1,385.4	1,353.9	1,421.1	1,429.8	1,530.2	1,690.2	2,066.0	3,160.8	4,215.7
Current Assets	5,748.8	6,767.8	8,081.1	7,366.4	8,187.2	9,906.7	10,399.3	12,539.0	21,000.2	19,891.9
Accounts Payable	2,813.7	2,257.3	3,508.7	3,720.4	3,601.6	10,165.6	4,717.1	6,006.6	6,575.9	9,433.8
Income Taxes Payable	8.9	83.7	82.5	135.9	167.8	154.7	79.0	154.7	181.8	236.0
Accrued Expenses, Total	1,762.3	2,294.2	2,491.7	4,508.9	4,886.9	0.0	5,986.5	7,256.6	8,543.0	8,669.6
Other Current Liabilities	1,731.5	2,721.2	2,421.3	909.9	854.4	104.8	1,265.9	1,094.4	1,209.7	1,518.6
Current Pension Liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Current Postretirement Liability	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Current Pension/Postretirement Liability	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Current Liabilities	3,493.8	5,015.4	4,913.0	5,418.8	5,741.3	104.8	7,252.4	8,351.0	9,752.7	10,188.1
Non Current Unearned Revenue	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Current Liabilities	6,316.3	7,356.4	8,504.3	9,275.1	9,510.6	10,425.1	12,048.4	14,512.3	16,510.4	19,857.9
Net Working Capital	(567.5)	(588.6)	(423.2)	(1,908.7)	(1,323.4)	(518.4)	(1,649.1)	(1,973.3)	4,489.8	34.1

CALCULATIONS FOR ADJUSTED NET WORKING CAPITAL

PSE:JFC	2006 12/31/2006	2007 12/31/2007	2008 12/31/2008	2009 12/31/2009	2010 12/31/2010	2011 1/1/2012	2012 12/31/2012	2013 12/31/2013	2014 12/31/2014	2015 12/31/2015
Cash & Short-Term Investments	4,452.4	5,575.9	6,878.9	8,977.3	8,170.5	6,655.3	8,848.6	9,903.9	7,618.5	12,419.9
Excess Cash	2,756.9	3,641.3	4,684.3	6,515.9	5,385.3	3,527.6	5,223.9	5,845.2	3,021.2	7,277.2
Operating Cash & Short-Term Investments	1,695.6	1,934.7	2,194.6	2,461.3	2,785.2	3,127.7	3,624.7	4,058.7	4,597.3	5,142.7
Accounts Receivable	1,488.4	1,818.3	1,805.1	1,754.5	1,837.7	2,388.6	2,454.6	2,853.9	7,270.3	5,055.1
Financial Subsidiary Receivable	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Accounts Receivable - Adj	1,488.4	1,818.3	1,805.1	1,754.5	1,837.7	2,388.6	2,454.6	2,853.9	7,270.3	5,055.1
Inventory	1,266.3	1,629.4	2,727.5	1,729.4	2,134.5	2,860.1	2,629.7	3,560.4	5,971.8	5,478.4
LIFO Reserve	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Inventory - Adj	1,266.3	1,629.4	2,727.5	1,729.4	2,134.5	2,860.1	2,629.7	3,560.4	5,971.8	5,478.4
Other Current Assets	450.9	1,142.8	517.1	240.2	784.4	1,354.9	662.8	953.1	1,679.4	2,466.8
Prepaid Expenses	221.3	222.3	395.8	509.9	519.0	0.0	751.4	909.5	1,191.2	1,526.0
Other Receivables	626.3	20.3	441.0	671.1	126.5	175.3	276.0	203.5	290.3	223.0
Other Current Assets - Adj	1,298.5	1,385.4	1,353.9	1,421.1	1,429.8	1,530.2	1,690.2	2,066.0	3,160.8	4,215.7
Current Assets	5,748.8	6,767.8	8,081.1	7,366.4	8,187.2	9,906.7	10,399.3	12,539.0	21,000.2	19,891.9
Accounts Payable	2,813.7	2,257.3	3,508.7	3,720.4	3,601.6	10,165.6	4,717.1	6,006.6	6,575.9	9,433.8
Income Taxes Payable	8.9	83.7	82.5	135.9	167.8	154.7	79.0	154.7	181.8	236.0
Accrued Expenses, Total	1,762.3	2,294.2	2,491.7	4,508.9	4,886.9	0.0	5,986.5	7,256.6	8,543.0	8,669.6
Other Current Liabilities	1,731.5	2,721.2	2,421.3	909.9	854.4	104.8	1,265.9	1,094.4	1,209.7	1,518.6
Current Pension Liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Current Postretirement Liability	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Current Pension/Postretirement Liability	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Current Liabilities	3,493.8	5,015.4	4,913.0	5,418.8	5,741.3	104.8	7,252.4	8,351.0	9,752.7	10,188.1
Non Current Unearned Revenue	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Current Liabilities	6,316.3	7,356.4	8,504.3	9,275.1	9,510.6	10,425.1	12,048.4	14,512.3	16,510.4	19,857.9
Net Working Capital	(567.5)	(588.6)	(423.2)	(1,908.7)	(1,323.4)	(518.4)	(1,649.1)	(1,973.3)	4,489.8	34.1

“NIBCLS”

CALCULATIONS FOR ADJUSTED NET WORKING CAPITAL

PSE:JFC	2006 12/31/2006	2007 12/31/2007	2008 12/31/2008	2009 12/31/2009	2010 12/31/2010	2011 1/1/2012	2012 12/31/2012	2013 12/31/2013	2014 12/31/2014	2015 12/31/2015
Cash & Short-Term Investments	4,452.4	5,575.9	6,878.9	8,977.3	8,170.5	6,655.3	8,848.6	9,903.9	7,618.5	12,419.9
Excess Cash	2,756.9	3,641.3	4,684.3	6,515.9	5,385.3	3,527.6	5,223.9	5,845.2	3,021.2	7,277.2
Operating Cash & Short-Term Investments	1,695.6	1,934.7	2,194.6	2,461.3	2,785.2	3,127.7	3,624.7	4,058.7	4,597.3	5,142.7
Accounts Receivable	1,488.4	1,818.3	1,805.1	1,754.5	1,837.7	2,388.6	2,454.6	2,853.9	7,270.3	5,055.1
Financial Subsidiary Receivable	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Accounts Receivable - Adj	1,488.4	1,818.3	1,805.1	1,754.5	1,837.7	2,388.6	2,454.6	2,853.9	7,270.3	5,055.1
Inventory	1,266.3	1,629.4	2,727.5	1,729.4	2,134.5	2,860.1	2,629.7	3,560.4	5,971.8	5,478.4
LIFO Reserve	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Inventory - Adj	1,266.3	1,629.4	2,727.5	1,729.4	2,134.5	2,860.1	2,629.7	3,560.4	5,971.8	5,478.4
Other Current Assets	450.9	1,142.8	517.1	240.2	784.4	1,354.9	662.8	953.1	1,679.4	2,466.8
Prepaid Expenses	221.3	222.3	395.8	509.9	519.0	0.0	751.4	909.5	1,191.2	1,526.0
Other Receivables	626.3	20.3	441.0	671.1	126.5	175.3	276.0	203.5	290.3	223.0
Other Current Assets - Adj	1,298.5	1,385.4	1,353.9	1,421.1	1,429.8	1,530.2	1,690.2	2,066.0	3,160.8	4,215.7
Current Assets	5,748.8	6,767.8	8,081.1	7,366.4	8,187.2	9,906.7	10,399.3	12,539.0	21,000.2	19,891.9
Accounts Payable	2,813.7	2,257.3	3,508.7	3,720.4	3,601.6	10,165.6	4,717.1	6,006.6	6,575.9	9,433.8
Income Taxes Payable	8.9	83.7	82.5	135.9	167.8	154.7	79.0	154.7	181.8	236.0
Accrued Expenses, Total	1,762.3	2,294.2	2,491.7	4,508.9	4,886.9	0.0	5,986.5	7,256.6	8,543.0	8,669.6
Other Current Liabilities	1,731.5	2,721.2	2,421.3	909.9	854.4	104.8	1,265.9	1,094.4	1,209.7	1,518.6
Current Pension Liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Current Postretirement Liability	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Current Pension/Postretirement Liability	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Current Liabilities	3,493.8	5,015.4	4,913.0	5,418.8	5,741.3	104.8	7,252.4	8,351.0	9,752.7	10,188.1
Non Current Unearned Revenue	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Current Liabilities	6,316.3	7,356.4	8,504.3	9,275.1	9,510.6	10,425.1	12,048.4	14,512.3	16,510.4	19,857.9
Net Working Capital	(567.5)	(588.6)	(423.2)	(1,908.7)	(1,323.4)	(518.4)	(1,649.1)	(1,973.3)	4,489.8	34.1

CALCULATIONS FOR NON-DEPRECIATING ASSETS

PSE:JFC	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
	12/31/2006	12/31/2007	12/31/2008	12/31/2009	12/31/2010	1/1/2012	12/31/2012	12/31/2013	12/31/2014	12/31/2015
Net Working Capital	(567.5)	(588.6)	(423.2)	(1,908.7)	(1,323.4)	(518.4)	(1,649.1)	(1,973.3)	4,489.8	34.1
Land	724.7	732.1	670.9	651.0	657.2	679.3	1,329.8	1,333.8	1,642.7	1,645.6
Revaluations of Land	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Land & Improvements	724.7	732.1	670.9	651.0	657.2	679.3	1,329.8	1,333.8	1,642.7	1,645.6
Inflation Adjustment	164.0	158.6	169.0	176.4	187.9	184.8	305.3	266.7	329.0	280.8
Inflation Adjusted Land & Improvements	888.7	890.7	839.9	827.4	845.1	864.0	1,635.1	1,600.5	1,971.6	1,926.4
LT Investments @ Cost	0.0	46.2	76.8	155.2	179.1	123.8	1,262.6	1,143.7	1,092.5	5,922.5
Other Assets	1,921.0	2,183.0	2,515.9	2,401.6	2,455.6	5,272.6	4,231.3	4,870.9	5,230.4	6,713.9
Pension Assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Postretirement Assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Pension Deferred Tax Assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Assets Adjusted for Pensions	1,921.0	2,183.0	2,515.9	2,401.6	2,455.6	5,272.6	4,231.3	4,870.9	5,230.4	6,713.9
Non-Depreciating Intangible Assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Non-Depreciating Assets	2,242.2	2,531.3	3,009.5	1,475.5	2,156.3	5,742.1	5,479.9	5,641.8	12,784.4	14,597.0
Total Non-Depreciating Assets (w/o LT Invest)	2,242.2	2,485.1	2,932.7	1,320.3	1,977.2	5,618.2	4,217.3	4,498.1	11,691.8	8,674.5

CALCULATIONS FOR NON-DEPRECIATING ASSETS

PSE:JFC	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
	12/31/2006	12/31/2007	12/31/2008	12/31/2009	12/31/2010	1/1/2012	12/31/2012	12/31/2013	12/31/2014	12/31/2015
Net Working Capital	(567.5)	(588.6)	(423.2)	(1,908.7)	(1,323.4)	(518.4)	(1,649.1)	(1,973.3)	4,489.8	34.1
Land	724.7	732.1	670.9	651.0	657.2	679.3	1,329.8	1,333.8	1,642.7	1,645.6
Revaluations of Land	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Land & Improvements	724.7	732.1	670.9	651.0	657.2	679.3	1,329.8	1,333.8	1,642.7	1,645.6
Inflation Adjustment	164.0	158.6	169.0	176.4	187.9	184.8	305.3	266.7	329.0	280.8
Inflation Adjusted Land & Improvements	888.7	890.7	839.9	827.4	845.1	864.0	1,635.1	1,600.5	1,971.6	1,926.4
LT Investments @ Cost	0.0	46.2	76.8	155.2	179.1	123.8	1,262.6	1,143.7	1,092.5	5,922.5
Other Assets	1,921.0	2,183.0	2,515.9	2,401.6	2,455.6	5,272.6	4,231.3	4,870.9	5,230.4	6,713.9
Pension Assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Postretirement Assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Pension Deferred Tax Assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Assets Adjusted for Pensions	1,921.0	2,183.0	2,515.9	2,401.6	2,455.6	5,272.6	4,231.3	4,870.9	5,230.4	6,713.9
Non-Depreciating Intangible Assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Non-Depreciating Assets	2,242.2	2,531.3	3,009.5	1,475.5	2,156.3	5,742.1	5,479.9	5,641.8	12,784.4	14,597.0
Total Non-Depreciating Assets (w/o LT Invest)	2,242.2	2,485.1	2,932.7	1,320.3	1,977.2	5,618.2	4,217.3	4,498.1	11,691.8	8,674.5

CALCULATIONS FOR NON-DEPRECIATING ASSETS

PSE:JFC	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
	12/31/2006	12/31/2007	12/31/2008	12/31/2009	12/31/2010	1/1/2012	12/31/2012	12/31/2013	12/31/2014	12/31/2015
Net Working Capital	(567.5)	(588.6)	(423.2)	(1,908.7)	(1,323.4)	(518.4)	(1,649.1)	(1,973.3)	4,489.8	34.1
Land	724.7	732.1	670.9	651.0	657.2	679.3	1,329.8	1,333.8	1,642.7	1,645.6
Revaluations of Land	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Land & Improvements	724.7	732.1	670.9	651.0	657.2	679.3	1,329.8	1,333.8	1,642.7	1,645.6
Inflation Adjustment	164.0	158.6	169.0	176.4	187.9	184.8	305.3	266.7	329.0	280.8
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LT Investments @ Cost	0.0	46.2	76.8	155.2	179.1	123.8	1,262.6	1,143.7	1,092.5	5,922.5
Other Assets	1,921.0	2,183.0	2,515.9	2,401.6	2,455.6	5,272.6	4,231.3	4,870.9	5,230.4	6,713.9
Pension Assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Postretirement Assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Pension Deferred Tax Assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Assets Adjusted for Pensions	1,921.0	2,183.0	2,515.9	2,401.6	2,455.6	5,272.6	4,231.3	4,870.9	5,230.4	6,713.9
Non-Depreciating Intangible Assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Non-Depreciating Assets	2,242.2	2,531.3	3,009.5	1,475.5	2,156.3	5,742.1	5,479.9	5,641.8	12,784.4	14,597.0
Total Non-Depreciating Assets (w/o LT Invest)	2,242.2	2,485.1	2,932.7	1,320.3	1,977.2	5,618.2	4,217.3	4,498.1	11,691.8	8,674.5

CALCULATIONS FOR NON-DEPRECIATING ASSETS

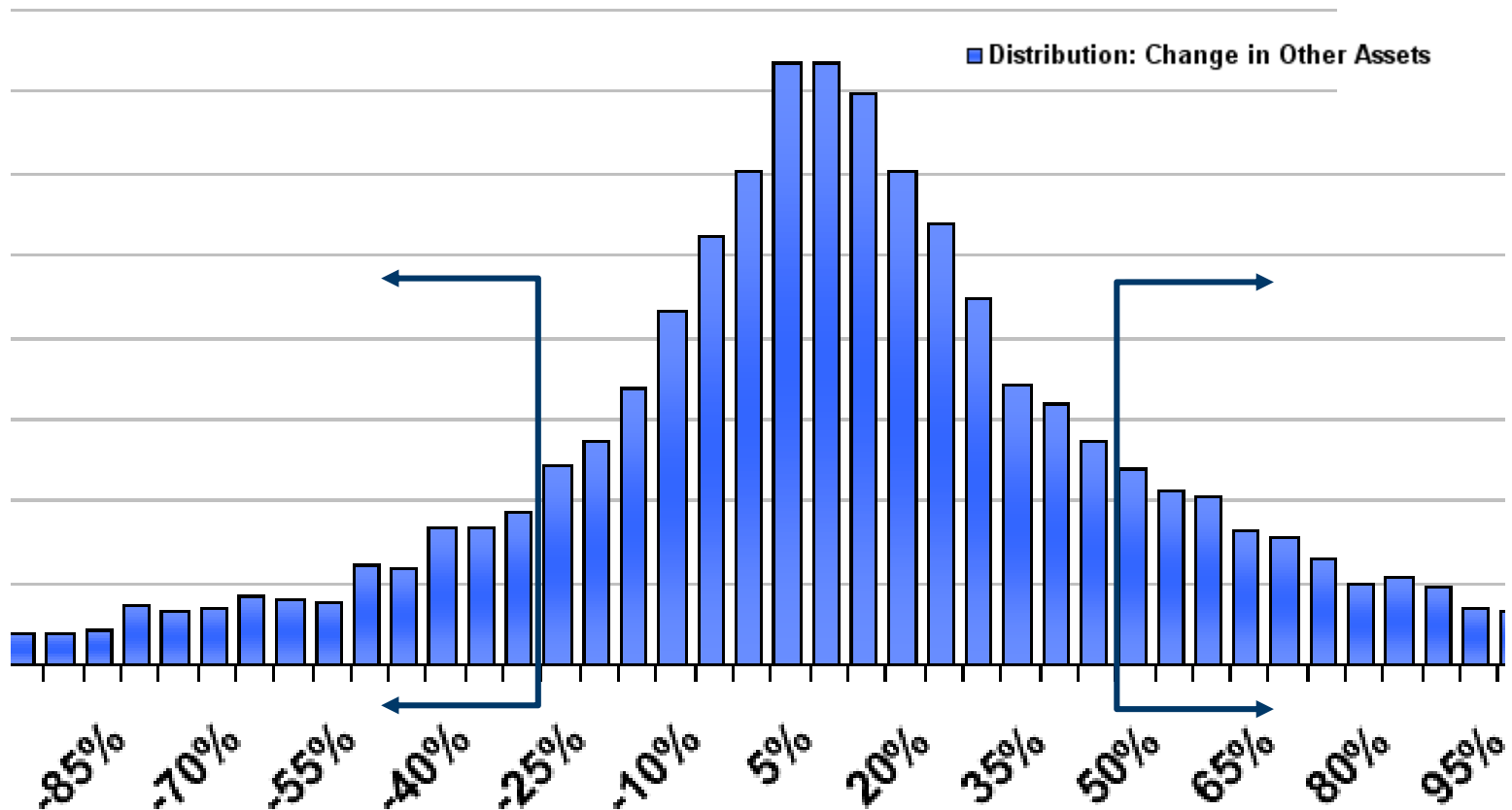
PSE:JFC	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
	12/31/2006	12/31/2007	12/31/2008	12/31/2009	12/31/2010	1/1/2012	12/31/2012	12/31/2013	12/31/2014	12/31/2015
Net Working Capital	(567.5)	(588.6)	(423.2)	(1,908.7)	(1,323.4)	(518.4)	(1,649.1)	(1,973.3)	4,489.8	34.1
Land	724.7	732.1	670.9	651.0	657.2	679.3	1,329.8	1,333.8	1,642.7	1,645.6
Revaluations of Land	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Land & Improvements	724.7	732.1	670.9	651.0	657.2	679.3	1,329.8	1,333.8	1,642.7	1,645.6
Inflation Adjustment	164.0	158.6	169.0	176.4	187.9	184.8	305.3	266.7	329.0	280.8
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Other Assets	1,921.0	2,183.0	2,515.9	2,401.6	2,455.6	5,272.6	4,231.3	4,870.9	5,230.4	6,713.9
Pension Assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Postretirement Assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Pension Deferred Tax Assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Assets Adjusted for Pensions	1,921.0	2,183.0	2,515.9	2,401.6	2,455.6	5,272.6	4,231.3	4,870.9	5,230.4	6,713.9
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Total Non-Depreciating Assets	2,242.2	2,531.3	3,009.5	1,475.5	2,156.3	5,742.1	5,479.9	5,641.8	12,784.4	14,597.0
Total Non-Depreciating Assets (w/o LT Invest)	2,242.2	2,485.1	2,932.7	1,320.3	1,977.2	5,618.2	4,217.3	4,498.1	11,691.8	8,674.5

CALCULATIONS FOR NON-DEPRECIATING ASSETS

PSE:JFC	2006 12/31/2006	2007 12/31/2007	2008 12/31/2008	2009 12/31/2009	2010 12/31/2010	2011 1/1/2012	2012 12/31/2012	2013 12/31/2013	2014 12/31/2014	2015 12/31/2015
Net Working Capital	(567.5)	(588.6)	(423.2)	(1,908.7)	(1,323.4)	(518.4)	(1,649.1)	(1,973.3)	4,489.8	34.1
Land	724.7	732.1	670.9	651.0	657.2	679.3	1,329.8	1,333.8	1,642.7	1,645.6
Revaluations of Land	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Land & Improvements	724.7	732.1	670.9	651.0	657.2	679.3	1,329.8	1,333.8	1,642.7	1,645.6
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Other Assets	1,921.0	2,183.0	2,515.9	2,401.6	2,455.6	5,272.6	4,231.3	4,870.9	5,230.4	6,713.9
Pension Assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Postretirement Assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Pension Deferred Tax Assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
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The Outlier Asset Signal

Distribution Analysis - Change in Other Assets:



Source: CSFB HOLT ValueSearch™. Resulting list of companies is based on a screen of US companies > 0.7bn Market Cap excluding Financials and Utilities, where variables applied (Total: 1479). Companies are ranked by distribution according to change in other assets for the period 1995 through 2004. All data is based on last reported fiscal year and is greater than 90 days old.

“Worldcom CFO... noting that Ebbers intimidated him into committing fraud so the company would meet Wall Street's expectations.”

“Normal ‘earnings management’ slid into fraud.”

“...using increasingly aggressive accounting ‘adjustments’ to meet investor expectations.

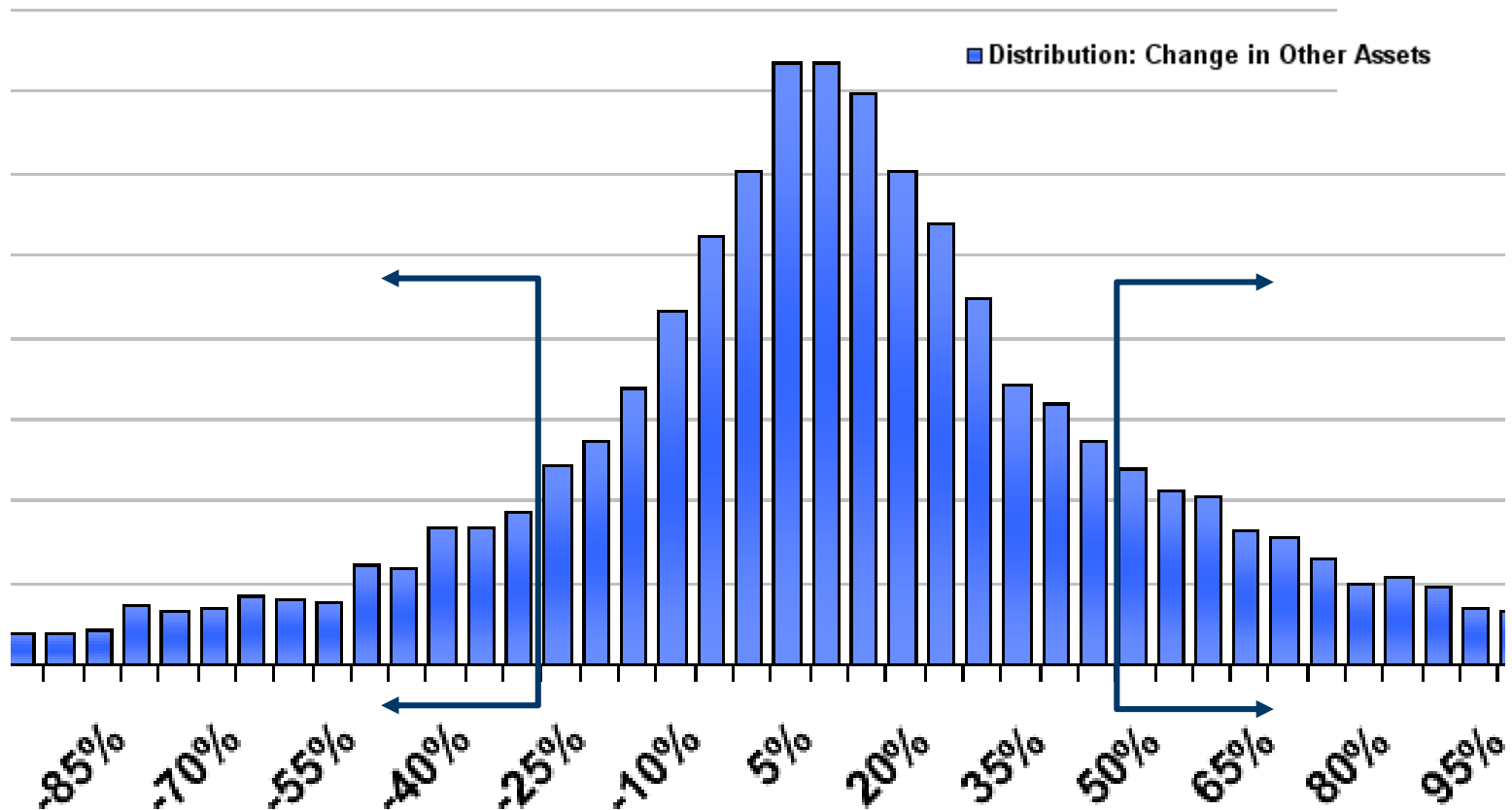
“...with more ‘one-time’ items”

“...capitalizing ‘line costs’ treating them as capital expenditures rather than as ongoing expenses.”

MCI Worldcom	1995 12/1995 USD	1996 12/1996 USD	1997 12/1997 USD	1998 12/1998 USD
Other Assets	118	542	832	4,170

The Outlier Asset Signal

Distribution Analysis - Change in Other Assets:



Source: CSFB HOLT ValueSearch™. Resulting list of companies is based on a screen of US companies > 0.7bn Market Cap excluding Financials and Utilities, where variables applied (Total: 1479). Companies are ranked by distribution according to change in other assets for the period 1995 through 2004. All data is based on last reported fiscal year and is greater than 90 days old.

CALCULATIONS FOR NON-DEPRECIATING ASSETS

PSE:JFC	2006 12/31/2006	2007 12/31/2007	2008 12/31/2008	2009 12/31/2009	2010 12/31/2010	2011 1/1/2012	2012 12/31/2012	2013 12/31/2013	2014 12/31/2014	2015 12/31/2015
Net Working Capital	(567.5)	(588.6)	(423.2)	(1,908.7)	(1,323.4)	(518.4)	(1,649.1)	(1,973.3)	4,489.8	34.1
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Revaluations of Land	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Land & Improvements	724.7	732.1	670.9	651.0	657.2	679.3	1,329.8	1,333.8	1,642.7	1,645.6
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Pension Assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Postretirement Assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Pension Deferred Tax Assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
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Non-Depreciating Intangible Assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Non-Depreciating Assets	2,242.2	2,531.3	3,009.5	1,475.5	2,156.3	5,742.1	5,479.9	5,641.8	12,784.4	14,597.0
Total Non-Depreciating Assets (w/o LT Invest)	2,242.2	2,485.1	2,932.7	1,320.3	1,977.2	5,618.2	4,217.3	4,498.1	11,691.8	8,674.5

CALCULATIONS FOR DEPRECIATING ASSETS

PSE:JFC	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
	12/31/2006	12/31/2007	12/31/2008	12/31/2009	12/31/2010	1/1/2012	12/31/2012	12/31/2013	12/31/2014	12/31/2015
GDP Deflator Adjusted Gross PP&E w/CIP	16,240.8	17,264.6	20,412.9	23,479.6	25,543.5	29,501.4	31,288.5	33,719.6	37,389.8	41,160.0
Capitalized Operating Leases	15,570.6	17,963.9	22,184.3	27,069.4	32,615.7	41,236.8	47,376.7	49,970.0	56,212.2	63,147.9
Capitalized Research & Development	105.5	126.5	164.9	210.2	255.5	299.0	322.0	348.7	363.0	375.1
Intangibles Included in Depreciating Assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Depreciating Assets	31,916.9	35,354.9	42,762.1	50,759.1	58,414.7	71,037.1	78,987.2	84,038.4	93,964.9	104,682.9

CALCULATIONS FOR DEPRECIATING ASSETS

PSE:JFC	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
	12/31/2006	12/31/2007	12/31/2008	12/31/2009	12/31/2010	1/1/2012	12/31/2012	12/31/2013	12/31/2014	12/31/2015
GDP Deflator Adjusted Gross PP&E w/CIP	16,240.8	17,264.6	20,412.9	23,479.6	25,543.5	29,501.4	31,288.5	33,719.6	37,389.8	41,160.0
Capitalized Operating Leases	15,570.6	17,963.9	22,184.3	27,069.4	32,615.7	41,236.8	47,376.7	49,970.0	56,212.2	63,147.9
Capitalized Research & Development	105.5	126.5	164.9	210.2	255.5	299.0	322.0	348.7	363.0	375.1
Intangibles Included in Depreciating Assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Depreciating Assets	31,916.9	35,354.9	42,762.1	50,759.1	58,414.7	71,037.1	78,987.2	84,038.4	93,964.9	104,682.9

Inflation

- Define: Inflation
- Rising Prices or Falling trees?
- Replacement costs? Laptops
- We're looking for IC
Assets = Liabilities + Shareholders' Equity
- Currency Devaluation Adjustment

Inconsistent currency distortions

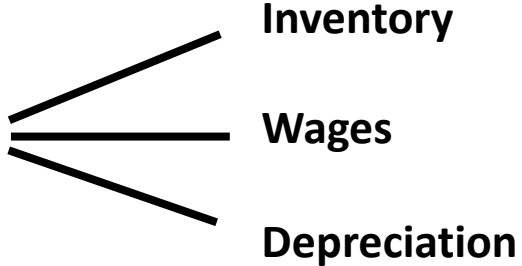
$$\text{ROE} = \frac{\text{Net Income}}{\text{Owners' Equity}}$$
$$\text{Net Income} = \frac{\text{Revenue} - \text{Expenses}}{\text{Profit}}$$

Inconsistent currency distortions

$$\text{ROE} = \frac{\text{Net Income}}{\text{Owners' Equity}}$$

Revenue
- Expenses

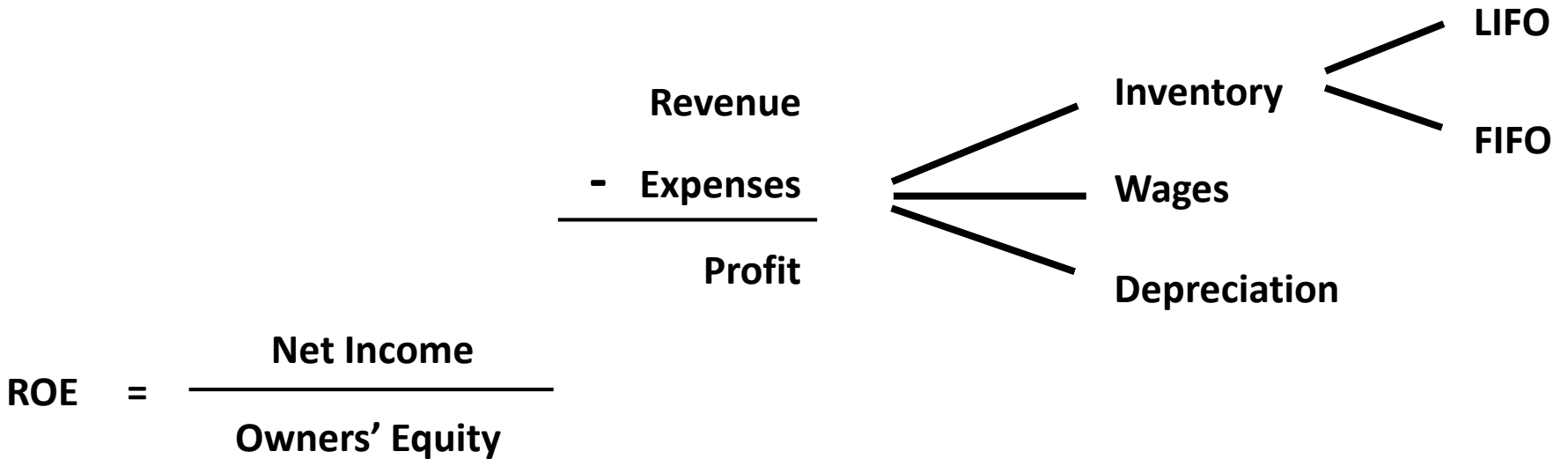
Profit



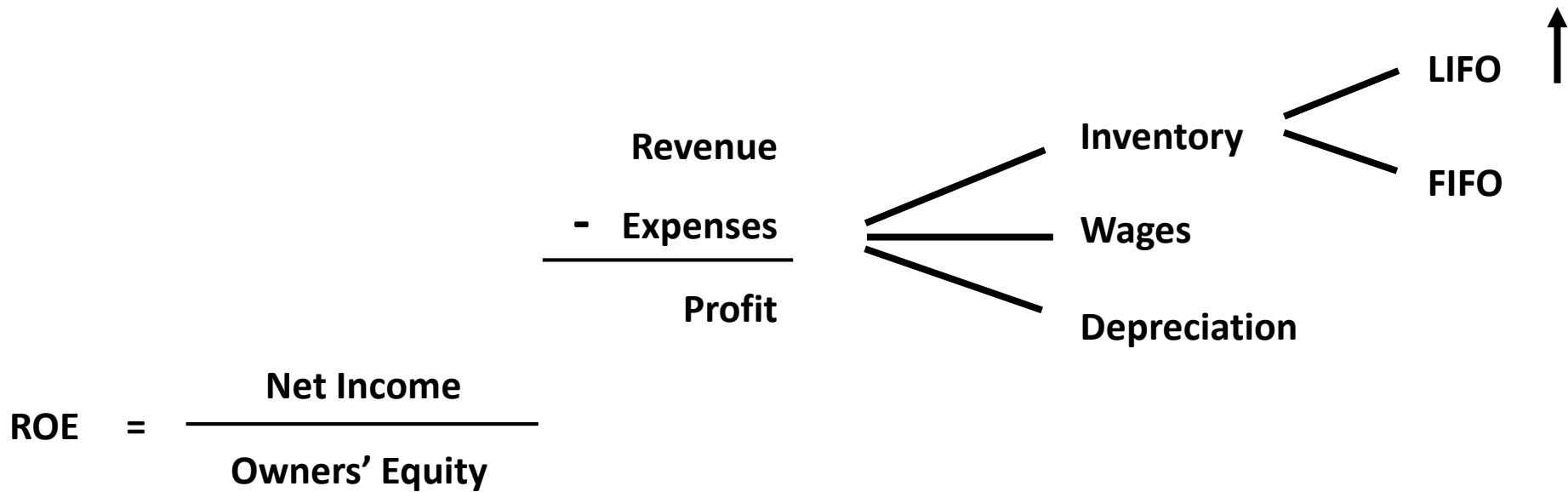
Inventory
Wages
Depreciation

The diagram illustrates the relationship between Profit and its components. A horizontal line separates 'Revenue' and '- Expenses' from 'Profit'. Three lines branch out from the right side of the 'Profit' line, pointing to 'Inventory', 'Wages', and 'Depreciation'.

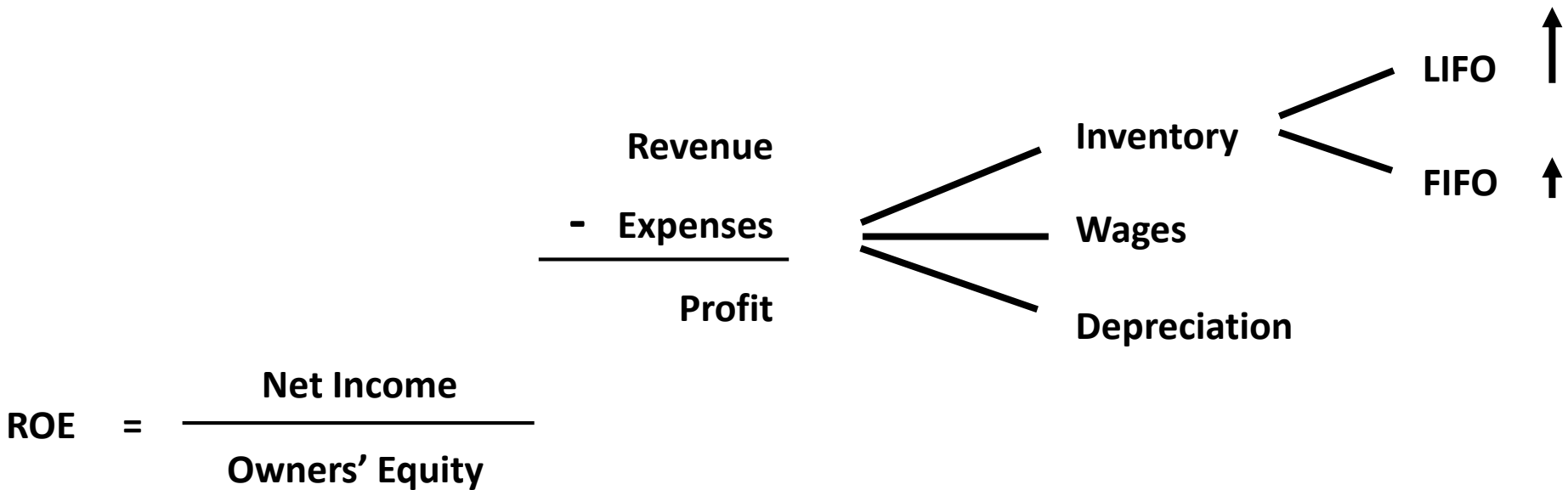
Inconsistent currency distortions



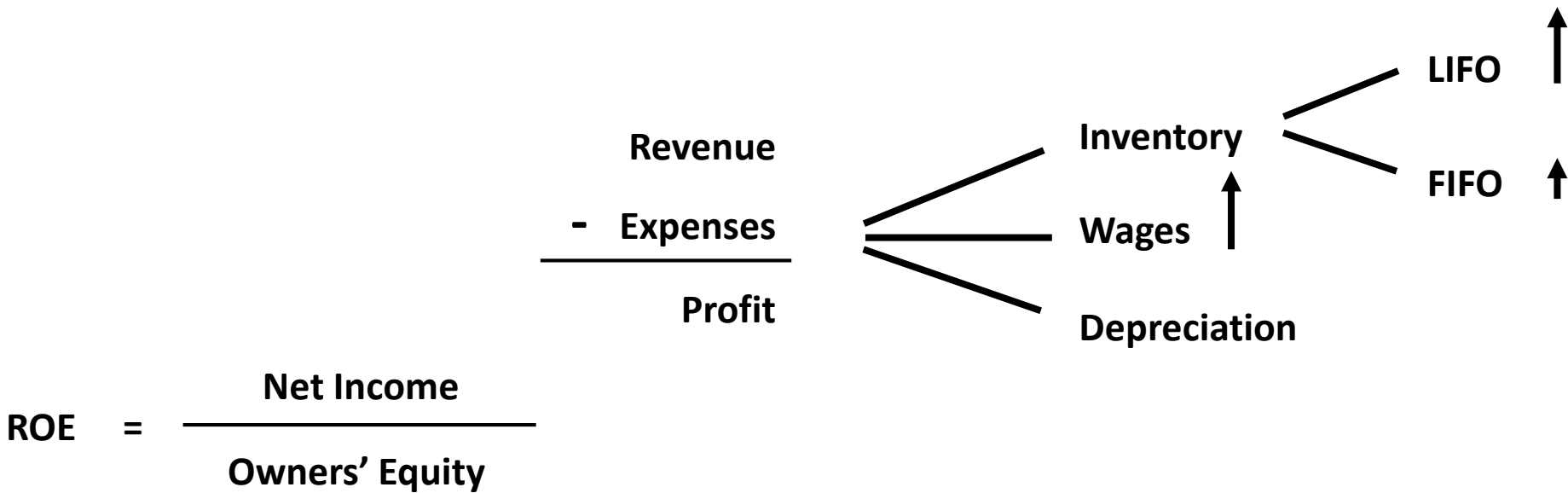
Inconsistent currency distortions



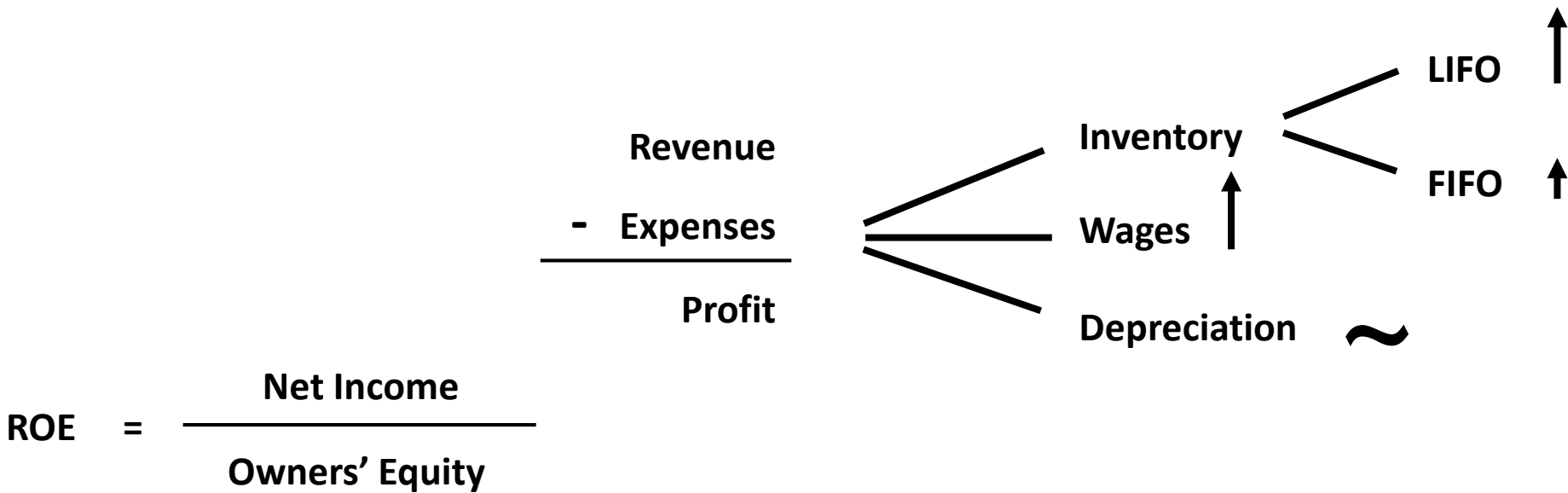
Inconsistent currency distortions



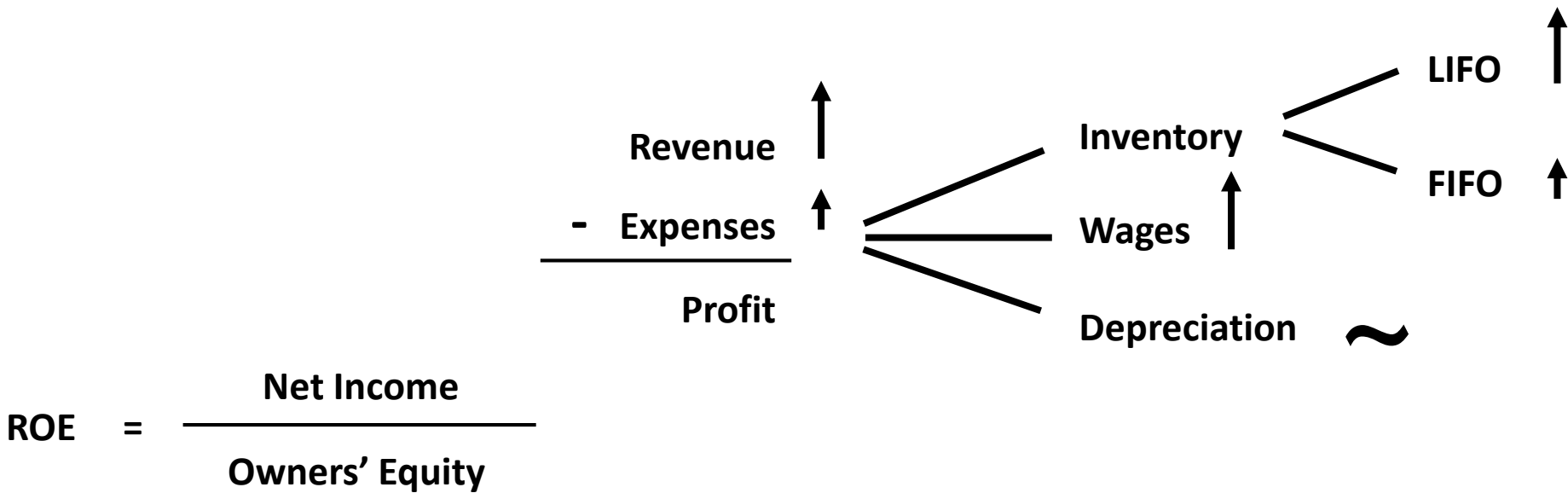
Inconsistent currency distortions



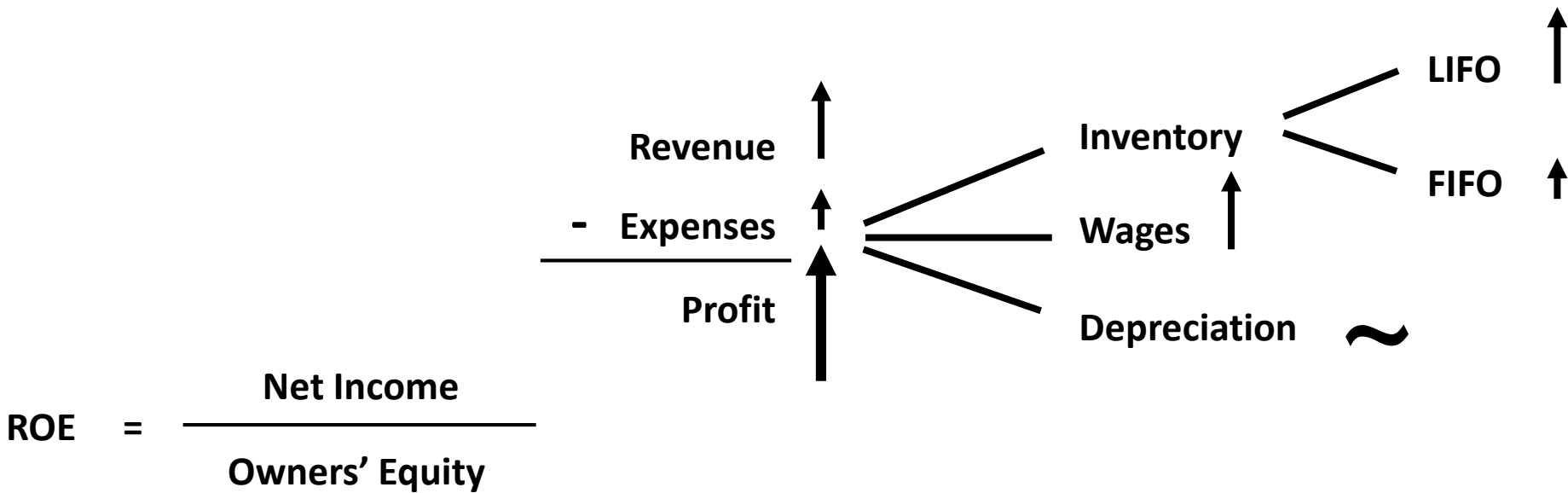
Inconsistent currency distortions



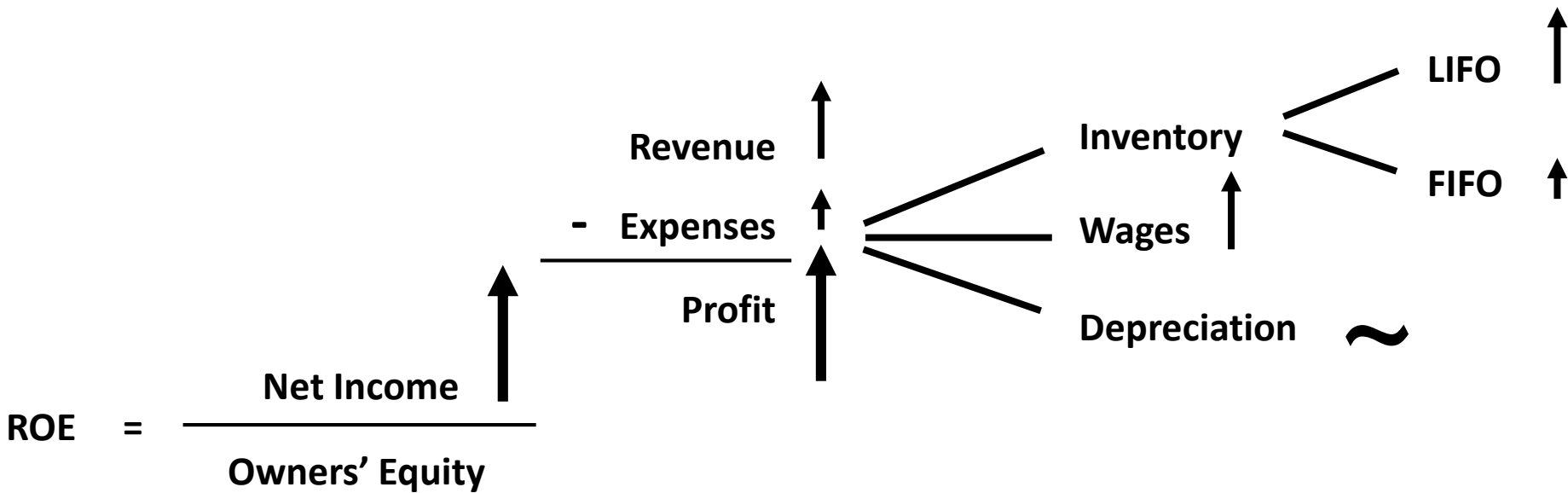
Inconsistent currency distortions



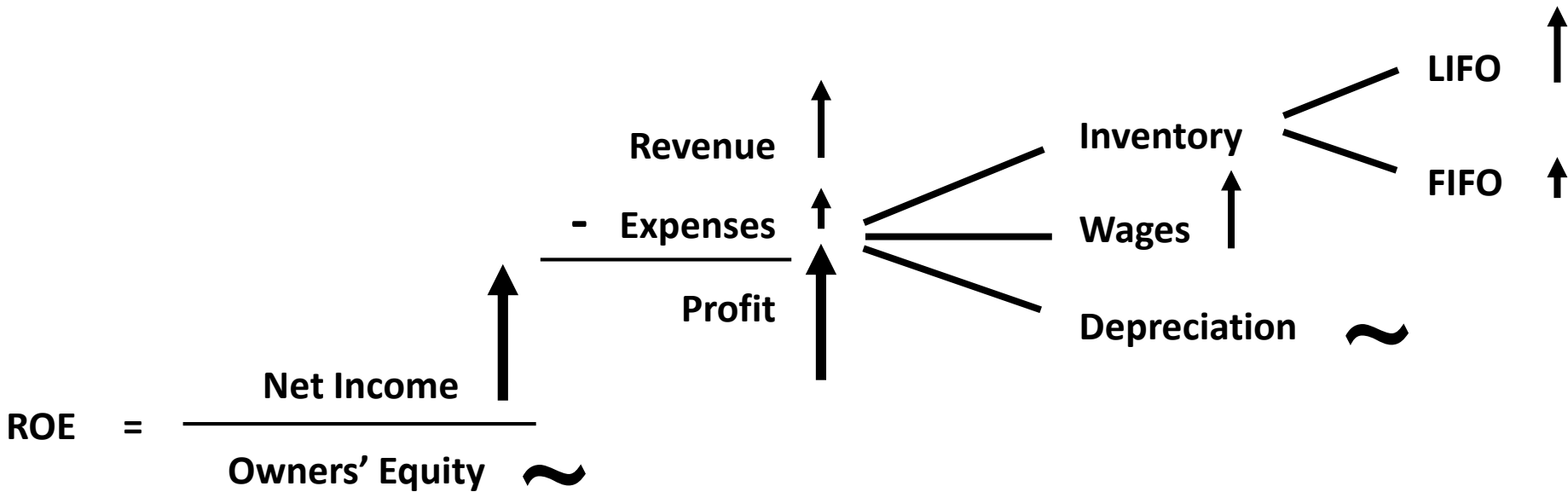
Inconsistent currency distortions



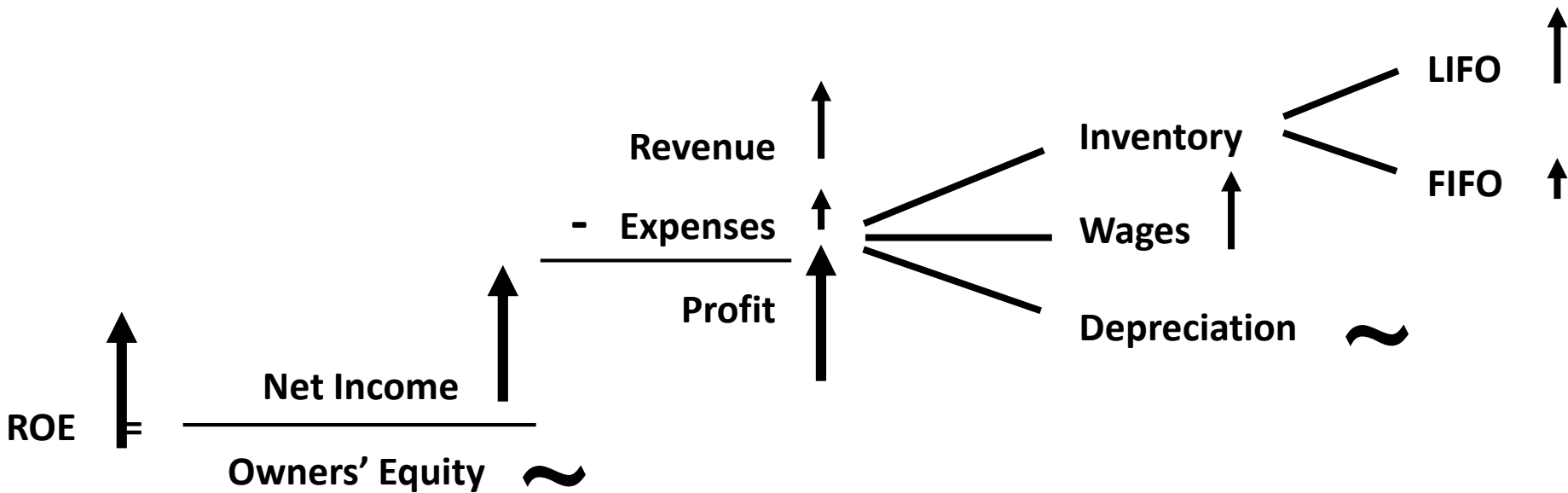
Inconsistent currency distortions



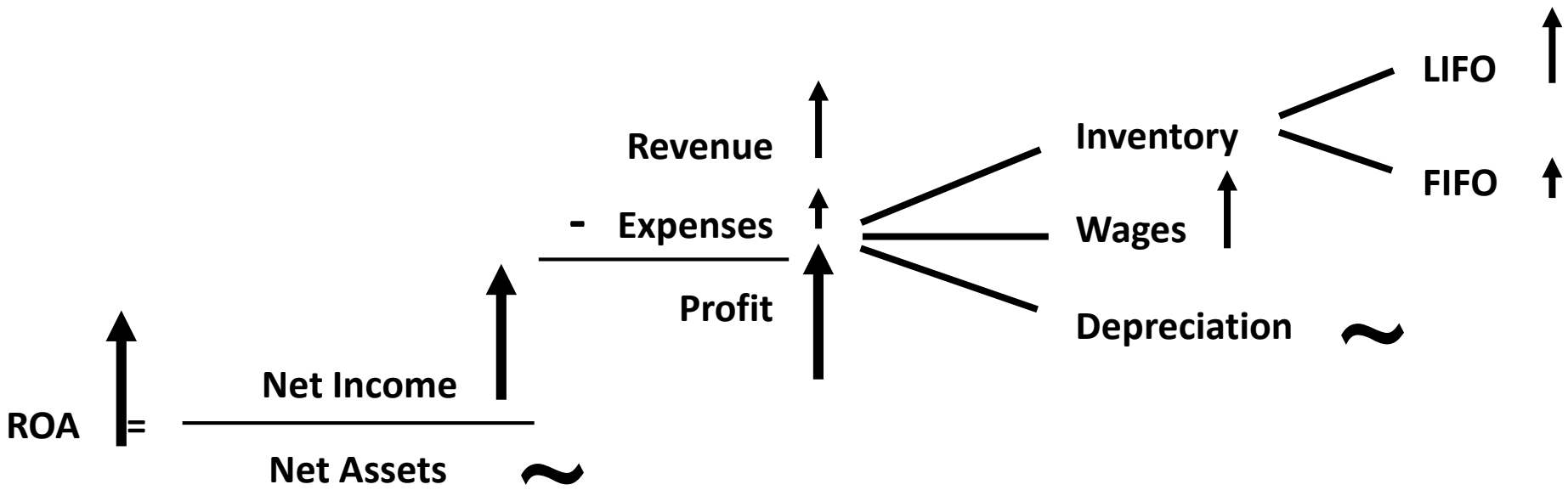
Inconsistent currency distortions



Inconsistent currency distortions

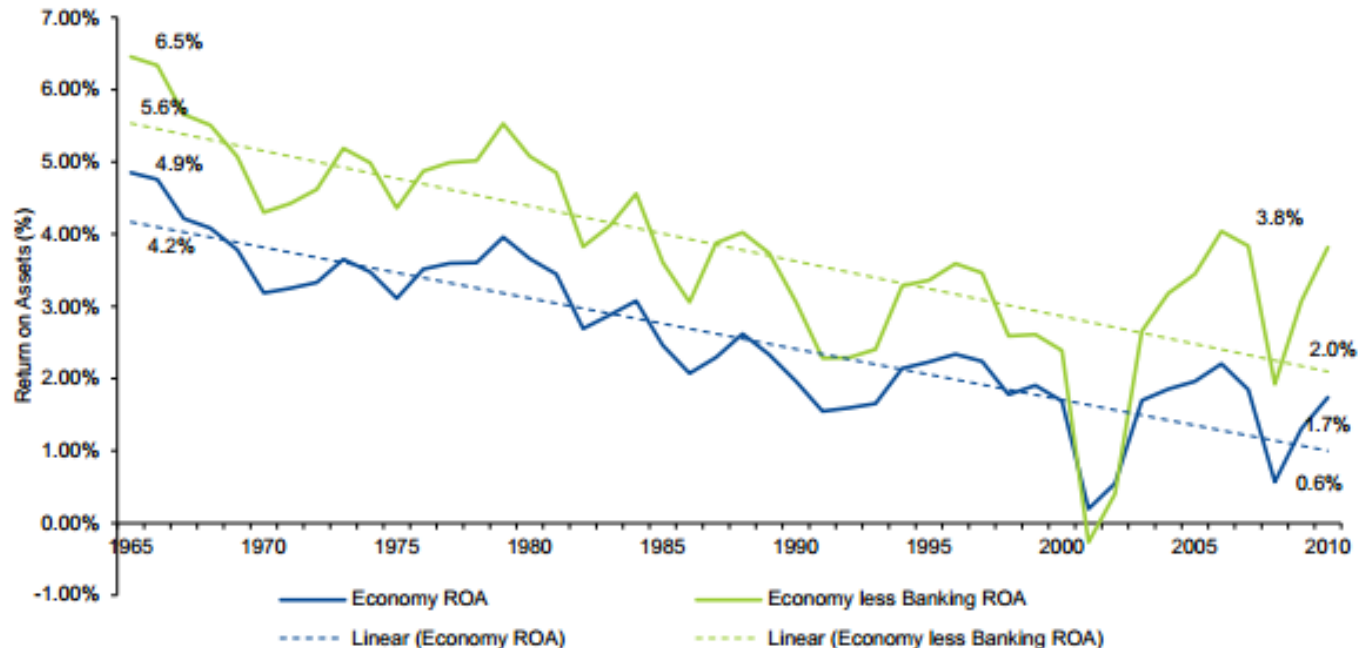


Inconsistent currency distortions



According to Deloitte EDGE Inst. (incorrectly so)...

Exhibit 91: ROA for the U.S. Economy (1965-2010)

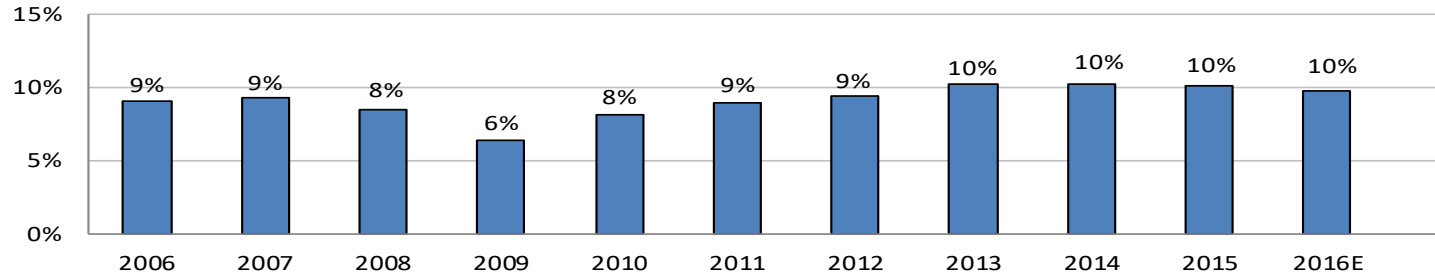


Source: Compustat, Deloitte analysis

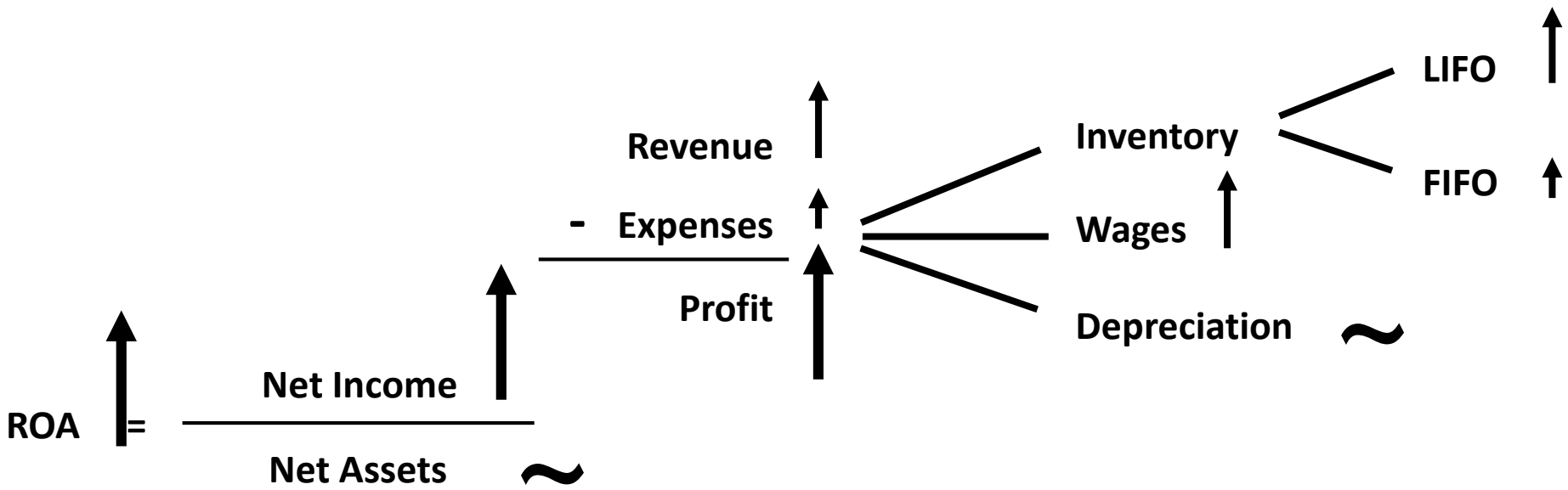
... ROA for the U.S. economy has been in steady decline for the past 45 years. We believe that this decline in ROA has been driven by companies' inability to adapt to the long-term trends behind the Big Shift.

Performance and Valuation Prime™ Analysis 4,683 U.S. companies (non-financial)

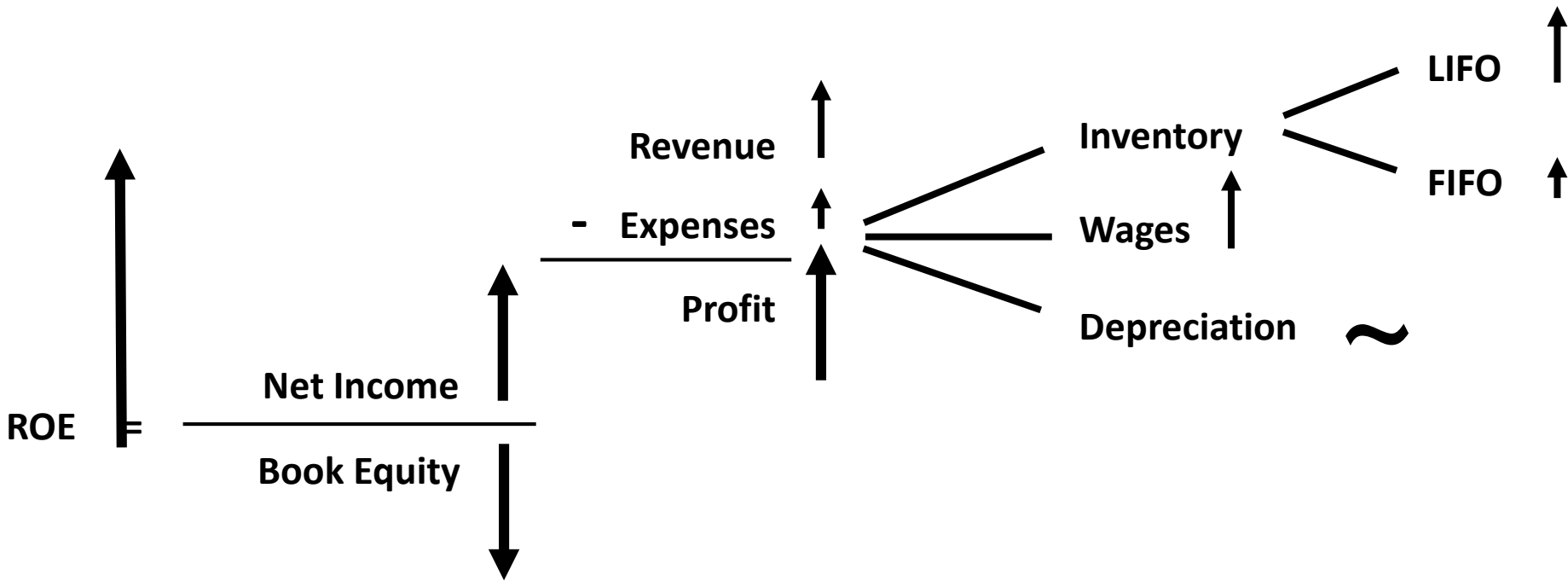
ROA'



Inconsistent currency distortions



Inconsistent currency distortions



CALCULATIONS FOR DEPR ASSETS/LAND

PSE:JFC	2006 12/31/2006	2007 12/31/2007	2008 12/31/2008	2009 12/31/2009	2010 12/31/2010	2011 1/1/2012	2012 12/31/2012	2013 12/31/2013	2014 12/31/2014	2015 12/31/2015
Calculation: GDP Deflator Adjusted Gross PP&E										
Gross PP&E	14,020.9	14,950.0	17,013.1	19,168.6	20,565.7	24,015.2	26,830.6	29,525.8	33,006.4	36,990.7
Less: Land	724.7	732.1	670.9	651.0	657.2	679.3	1,329.8	1,333.8	1,642.7	1,645.6
Less: Construction in Progress	283.7	154.2	184.3	203.9	205.5	672.8	292.8	548.0	1,275.2	1,267.9
Plus: Cumulative PP&E recaptured	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gross PP&E Adjusted:	13,012.5	14,063.7	16,157.9	18,313.6	19,703.1	22,663.1	25,208.1	27,644.0	30,088.5	34,077.2
Net PP&E	7,056.8	7,491.0	8,274.9	8,350.6	8,770.5	10,580.4	11,831.9	12,791.4	14,933.5	16,104.5
Less: Land	724.7	732.1	670.9	651.0	657.2	679.3	1,329.8	1,333.8	1,642.7	1,645.6
Less: Construction in Progress	283.7	154.2	184.3	203.9	205.5	672.8	292.8	548.0	1,275.2	1,267.9
Plus: Cumulative PP&E recaptured	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net PP&E Adjusted:	6,048.3	6,604.7	7,419.7	7,495.6	7,907.9	9,228.3	10,209.3	10,909.6	12,015.6	13,191.0
Asset Life (three-yr median of depr. Implied)	8.4	8.7	8.9	8.9	9.3	9.4	9.4	9.3	9.3	9.5
NP/GP Ratio	46.5	47.0	45.9	40.9	40.1	40.7	40.5	39.5	39.9	38.7
Implied Average Age of Assets	4.5	4.6	4.8	5.3	5.6	5.6	5.6	5.6	5.6	5.8
Two-year moving average of implied age	4.5	4.6	4.7	5.0	5.4	5.6	5.6	5.6	5.6	5.7
GDP Deflator	4.95%	3.09%	7.55%	2.77%	4.22%	4.02%	1.90%	1.98%	3.56%	3.57%
Average GDP Deflator given life of assets	4.63%	4.33%	4.78%	4.66%	4.60%	4.40%	3.75%	3.28%	3.32%	2.75%
GDP Deflator Adjustment	2,944.6	3,046.6	4,070.7	4,962.0	5,635.0	6,165.4	5,787.6	5,527.6	6,026.0	5,814.9
GDP Deflator Adj'd PP&E w/o CIP	15,957.1	17,110.3	20,228.6	23,275.7	25,338.1	28,828.6	30,995.7	33,171.6	36,114.5	39,892.1
Add back Construction In Progress	283.7	154.2	184.3	203.9	205.5	672.8	292.8	548.0	1,275.2	1,267.9
GDP Deflator Adjusted Gross PP&E	16,240.8	17,264.6	20,412.9	23,479.6	25,543.5	29,501.4	31,288.5	33,719.6	37,389.8	41,160.0
Growth		6.3%	18.2%	15.0%	8.8%	15.5%	6.1%	7.8%	10.9%	10.1%
Land	724.7	732.1	670.9	651.0	657.2	679.3	1,329.8	1,333.8	1,642.7	1,645.6
GDP Deflator Factor for PP&E (assumed for land)	1.2	1.2	1.3	1.3	1.3	1.3	1.2	1.2	1.2	1.2
GDP Deflator Adj'd Land	888.7	890.7	839.9	827.4	845.1	864.0	1,635.1	1,600.5	1,971.6	1,926.4

14. Goodwill and Other Intangible Assets

This account consists of:

	2015	2014
Goodwill	₱6,822,526,341	₱6,822,526,341
Trademark	2,004,255,942	2,004,255,942
Computer software, net of accumulated amortization	559,241,901	536,291,694
Other intangible assets, net of accumulated amortization	26,110,015	22,036,316
	₱9,412,134,199	₱9,385,110,293

CALCULATIONS FOR DEPR ASSETS/LAND

PSE:JFC	2006 12/31/2006	2007 12/31/2007	2008 12/31/2008	2009 12/31/2009	2010 12/31/2010	2011 1/1/2012	2012 12/31/2012	2013 12/31/2013	2014 12/31/2014	2015 12/31/2015
Calculation: GDP Deflator Adjusted Gross PP&E										
Gross PP&E	14,020.9	14,950.0	17,013.1	19,168.6	20,565.7	24,015.2	26,830.6	29,525.8	33,006.4	36,990.7
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Plus: Cumulative PP&E recaptured	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gross PP&E Adjusted:	13,012.5	14,063.7	16,157.9	18,313.6	19,703.1	22,663.1	25,208.1	27,644.0	30,088.5	34,077.2
Net PP&E	7,056.8	7,491.0	8,274.9	8,350.6	8,770.5	10,580.4	11,831.9	12,791.4	14,933.5	16,104.5
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CALCULATIONS FOR DEPRECIATING ASSETS

PSE:JFC	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
	12/31/2006	12/31/2007	12/31/2008	12/31/2009	12/31/2010	1/1/2012	12/31/2012	12/31/2013	12/31/2014	12/31/2015
GDP Deflator Adjusted Gross PP&E w/CIP	16,240.8	17,264.6	20,412.9	23,479.6	25,543.5	29,501.4	31,288.5	33,719.6	37,389.8	41,160.0
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Intangibles Included in Depreciating Assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Depreciating Assets	31,916.9	35,354.9	42,762.1	50,759.1	58,414.7	71,037.1	78,987.2	84,038.4	93,964.9	104,682.9

CALCULATIONS FOR DEPRECIATING ASSETS

PSE:JFC	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
	12/31/2006	12/31/2007	12/31/2008	12/31/2009	12/31/2010	1/1/2012	12/31/2012	12/31/2013	12/31/2014	12/31/2015
GDP Deflator Adjusted Gross PP&E w/CIP	16,240.8	17,264.6	20,412.9	23,479.6	25,543.5	29,501.4	31,288.5	33,719.6	37,389.8	41,160.0
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Total Depreciating Assets	31,916.9	35,354.9	42,762.1	50,759.1	58,414.7	71,037.1	78,987.2	84,038.4	93,964.9	104,682.9

XYZ business grows by renting assets...

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- XYZ produces \$10 NOPAT with \$50 of Net Assets
 - Gross profit after tax of \$20, depreciation of \$10
 - Gross assets of \$100, half-way through a ten-year life

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 - What would the annual rental cost be of the \$100 of new PP&E?
 - Rented assets are equally as productive as the owned assets

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100 PP&E

/10 life of asset

\$ 10 per year

+ 1 lessor CoCap

\$ 11 annual rent

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100	PP&E	\$20	Add'l gross profit
/10	life of asset	-11	Rent (not depr)
<u>\$ 10</u>	per year	<u>\$ 9</u>	Add'l NOPAT
+ 1	lessor CoCap		
<u>\$ 11</u>	annual rent	<u>\$ 0</u>	Add'l assets

XYZ business grows by renting assets...

- XYZ produces \$10 NOPAT with \$50 of Net Assets
 - Gross profit after tax of \$20, depreciation of \$10
 - Gross assets of \$100, half-way through a ten-year life
- What is the traditional, as-reported ROA of XYZ? $10 / 50 = 20\%$
- XYZ chooses to double the size of the firm, by renting new assets
 - What would the annual rental cost be of the \$100 of new PP&E?
 - Rented assets are equally as productive as the owned assets
- What is the traditional, as-reported ROA of XYZ afterward?

100 PP&E		\$20 Add'l gross profit	
<u>/10</u> life of asset		<u>-11</u> Rent (not depr)	
\$ 10 per year		\$ 9 Add'l NOPAT	
<u>+ 1</u> lessor CoCap		<u> </u>	
\$ 11 annual rent		\$ 0 Add'l assets	$19 / 50 = 38\%??$

10 year life Assets – Doubling in machines

A \$100 machine can generate \$ 20 in cash flows (Sales – COGS – SGA)



CALCULATIONS FOR CAPITALIZED OPERATING LEASES

PSE:JFC	2006 12/31/2006	2007 12/31/2007	2008 12/31/2008	2009 12/31/2009	2010 12/31/2010	2011 1/1/2012	2012 12/31/2012	2013 12/31/2013	2014 12/31/2014	2015 12/31/2015
Op Lease expense	2,137.2	2,391.0	2,902.8	3,542.0	4,092.8	5,131.8	5,895.9	6,287.3	7,072.7	7,841.9
Estimated life of assets being leased (NOT the life of the lease but of the asset leased)	8.4	8.7	8.9	8.9	9.3	9.4	9.4	9.3	9.3	9.5
Estim. REAL secured debt rate (e.g. A- rated bond rate after before inflation)	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%
Capitalized Operating Leases (estimate if current gross value of leased assets had they been purchased)	15,570.6	17,963.9	22,184.3	27,069.4	32,615.7	41,236.8	47,376.7	49,970.0	56,212.2	63,147.9
<u>Debt value of capitalized operating leases</u>										
Op Lease expense taken out of ROa and free cash flows	2,137.2	2,391.0	2,902.8	3,542.0	4,092.8	5,131.8	5,895.9	6,287.3	7,072.7	7,841.9
Economic depreciation recaptured through life of capitalized operating leases	1,847.7	2,057.7	2,491.6	3,040.3	3,489.8	4,369.8	5,020.5	5,363.4	6,033.3	6,675.2
Annual claim lessors have on the EV of the firm	289.5	333.3	411.2	501.7	603.0	762.0	875.4	923.9	1,039.4	1,166.7
Cap. Lease Debt: Present value of all future claims	9,048.3	10,416.5	12,849.2	15,678.6	18,842.6	23,811.8	27,357.2	28,872.9	32,479.7	36,459.8
Percent of Capitalized Operating Leases	58.1%	58.0%	57.9%	57.9%	57.8%	57.7%	57.7%	57.8%	57.8%	57.7%

CALCULATIONS FOR DEPRECIATING ASSETS

PSE:JFC	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
	12/31/2006	12/31/2007	12/31/2008	12/31/2009	12/31/2010	1/1/2012	12/31/2012	12/31/2013	12/31/2014	12/31/2015
GDP Deflator Adjusted Gross PP&E w/CIP	16,240.8	17,264.6	20,412.9	23,479.6	25,543.5	29,501.4	31,288.5	33,719.6	37,389.8	41,160.0
Capitalized Operating Leases	15,570.6	17,963.9	22,184.3	27,069.4	32,615.7	41,236.8	47,376.7	49,970.0	56,212.2	63,147.9
Capitalized Research & Development	105.5	126.5	164.9	210.2	255.5	299.0	322.0	348.7	363.0	375.1
Intangibles Included in Depreciating Assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Depreciating Assets	31,916.9	35,354.9	42,762.1	50,759.1	58,414.7	71,037.1	78,987.2	84,038.4	93,964.9	104,682.9

CALCULATIONS FOR DEPRECIATING ASSETS

PSE:JFC	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
	12/31/2006	12/31/2007	12/31/2008	12/31/2009	12/31/2010	1/1/2012	12/31/2012	12/31/2013	12/31/2014	12/31/2015
GDP Deflator Adjusted Gross PP&E w/CIP	16,240.8	17,264.6	20,412.9	23,479.6	25,543.5	29,501.4	31,288.5	33,719.6	37,389.8	41,160.0
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Intangibles Included in Depreciating Assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Depreciating Assets	31,916.9	35,354.9	42,762.1	50,759.1	58,414.7	71,037.1	78,987.2	84,038.4	93,964.9	104,682.9

Research and Development

			<u>Startup Period</u>				<u>Maturity</u>						
			<u>Yr 1</u>	<u>Yr 2</u>	<u>Yr 3</u>	<u>Yr 4</u>	<u>Yr 5</u>	<u>Yr 6</u>	<u>Yr 7</u>	<u>Yr 8</u>	<u>Yr 9</u>	<u>Yr 10</u>	<u>Yr 11</u>
NOPAT before R&D			-50	0	50	150	200	200	200	200	200	200	200
R&D			100	100	100	100	100	50	150	40	160	75	125
NOPAT			-150	-100	-50	50	100	150	50	160	40	125	75
Assets			500	500	500	500	500	500	500	500	500	500	500

			<u>Startup Period</u>				<u>Maturity</u>						
			<u>Yr 1</u>	<u>Yr 2</u>	<u>Yr 3</u>	<u>Yr 4</u>	<u>Yr 5</u>	<u>Yr 6</u>	<u>Yr 7</u>	<u>Yr 8</u>	<u>Yr 9</u>	<u>Yr 10</u>	<u>Yr 11</u>
NOPAT before R&D			-50	0	50	150	200	200	200	200	200	200	200
R&D			100	100	100	100	100	50	150	40	160	75	125
NOPAT			-150	-100	-50	50	100	150	50	160	40	125	75
Assets			500	500	500	500	500	500	500	500	500	500	500
RONA (NOPAT/Assets)							20%	30%	10%	32%	8%	25%	15%

		<u>Startup Period</u>				<u>Maturity</u>						
		<u>Yr 1</u>	<u>Yr 2</u>	<u>Yr 3</u>	<u>Yr 4</u>	<u>Yr 5</u>	<u>Yr 6</u>	<u>Yr 7</u>	<u>Yr 8</u>	<u>Yr 9</u>	<u>Yr 10</u>	<u>Yr 11</u>
NOPAT before R&D		-50	0	50	150	200	200	200	200	200	200	200
R&D		100	100	100	100	100	50	150	40	160	75	125
NOPAT		-150	-100	-50	50	100	150	50	160	40	125	75
Assets		500	500	500	500	500	500	500	500	500	500	500
RONA (NOPAT/Assets)						20%	30%	10%	32%	8%	25%	15%
		<u>Startup Period</u>				<u>Maturity</u>						
		<u>Yr 1</u>	<u>Yr 2</u>	<u>Yr 3</u>	<u>Yr 4</u>	<u>Yr 5</u>	<u>Yr 6</u>	<u>Yr 7</u>	<u>Yr 8</u>	<u>Yr 9</u>	<u>Yr 10</u>	<u>Yr 11</u>
NOPAT before R&D		-50	0	50	150	200	200	200	200	200	200	200
Assets		500	500	500	500	500	500	500	500	500	500	500

		<u>Startup Period</u>				<u>Maturity</u>						
		<u>Yr 1</u>	<u>Yr 2</u>	<u>Yr 3</u>	<u>Yr 4</u>	<u>Yr 5</u>	<u>Yr 6</u>	<u>Yr 7</u>	<u>Yr 8</u>	<u>Yr 9</u>	<u>Yr 10</u>	<u>Yr 11</u>
NOPAT before R&D		-50	0	50	150	200	200	200	200	200	200	200
R&D		100	100	100	100	100	50	150	40	160	75	125
NOPAT		-150	-100	-50	50	100	150	50	160	40	125	75
Assets		500	500	500	500	500	500	500	500	500	500	500
RONA (NOPAT/Assets)						20%	30%	10%	32%	8%	25%	15%
		<u>Startup Period</u>				<u>Maturity</u>						
		<u>Yr 1</u>	<u>Yr 2</u>	<u>Yr 3</u>	<u>Yr 4</u>	<u>Yr 5</u>	<u>Yr 6</u>	<u>Yr 7</u>	<u>Yr 8</u>	<u>Yr 9</u>	<u>Yr 10</u>	<u>Yr 11</u>
NOPAT before R&D		-50	0	50	150	200	200	200	200	200	200	200
Assets		500	500	500	500	500	500	500	500	500	500	500
R&D capitalization						500	450	500	440	500	475	550
Assets with Cap. R&D						1000	950	1000	940	1000	975	1050
"Scrubbed" ROA						20%	21%	20%	21%	20%	21%	19%

It's not about valuing the innovation
as that would appear
in the ROA', Growth, or V'

The R&D capitalization is to smooth
the ability to see if those
ROA', Growth', of V' trends
are actually increasing or decreasing

Boeing (BA)		2006	2007	2008	2009	2010	2011
R&D		3,300	3,900	3,800	6,500	4,100	3,900

Boeing (BA)		2006	2007	2008	2009	2010	2011
R&D		3,300	3,900	3,800	6,500	4,100	3,900
			18%	-3%	71%	-37%	-5%

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R&D		3,300	3,900	3,800	6,500	4,100	3,900
			18%	-3%	71%	-37%	-5%

Boeing net income \$2BB to \$3BB 2009 - 2011

Boeing (BA)		2006	2007	2008	2009	2010	2011
R&D		3,300	3,900	3,800	6,500	4,100	3,900
			18%	-3%	71%	-37%	-5%
Google (GOOG)		2006	2007	2008	2009	2010	2011
R&D		1,200	2,100	2,800	2,800	3,800	5,200
			75%	33%	0%	36%	37%

Boeing (BA)		2006	2007	2008	2009	2010	2011
R&D		3,300	3,900	3,800	6,500	4,100	3,900
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Google (GOOG)		2006	2007	2008	2009	2010	2011
R&D		1,200	2,100	2,800	2,800	3,800	5,200
			75%	33%	0%	36%	37%
Amylin (AMLN)		2006	2007	2008	2009	2010	2011
R&D		222	277	293	198	183	161
			25%	6%	-32%	-8%	-12%

Boeing (BA)		2006	2007	2008	2009	2010	2011
R&D		3,300	3,900	3,800	6,500	4,100	3,900
			18%	-3%	71%	-37%	-5%
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R&D		1,200	2,100	2,800	2,800	3,800	5,200
			75%	33%	0%	36%	37%
Amylin (AMLN)		2006	2007	2008	2009	2010	2011
R&D		222	277	293	198	183	161
			25%	6%	-32%	-8%	-12%
Electronic Arts(EA)		2006	2007	2008	2009	2010	2011
R&D		1,041	1,145	1,360	1,229	1,150	1,200
			10%	19%	-10%	-6%	4%

Boeing (BA)		2006	2007	2008	2009	2010	2011
R&D		3,300	3,900	3,800	6,500	4,100	3,900
			18%	-3%	71%	-37%	-5%
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R&D		1,041	1,145	1,360	1,229	1,150	1,200
			10%	19%	-10%	-6%	4%
Eastman Kodak (EK)		2006	2007	2008	2009	2010	2011
R&D		596	549	501	351	318	274
			-8%	-9%	-30%	-9%	-14%

Boeing (BA)		2006	2007	2008	2009	2010	2011
R&D		3,300	3,900	3,800	6,500	4,100	3,900
			18%	-3%	71%	-37%	-5%
Google (GOOG)		2006	2007	2008	2009	2010	2011
R&D		1,200	2,100	2,800	2,800	3,800	5,200
			75%	33%	0%	36%	37%
Amylin (AMLN)		2006	2007	2008	2009	2010	2011
R&D		222	277	293	198	183	161
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			10%	19%	-10%	-6%	4%
Eastman Kodak (EK)		2006	2007	2008	2009	2010	2011
R&D		596	549	501	351	318	274
			-8%	-9%	-30%	-9%	-14%
Pfizer (PFE)		2006	2007	2008	2009	2010	2011
R&D		7,600	8,100	7,900	7,800	9,400	9,100
			7%	-2%	-1%	21%	-3%



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Jollibee Foods Research and Development Expense (Quarterly)

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Jollibee Foods Historical Research and Development Expense (Quarterly) Data

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Data for this Date Range

About R&D Expense

R&D expenses are a line item from many companies' income statements.

R&D expense (short for research and development expense) is essentially the amount of money that a company spends to develop new products and services each year. For example, if a pharmaceutical firm hires research scientists to develop new drugs, the salaries of these researchers will generally be expensed in the R&D expense category.

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JBFCF Research and Development Expense (Quarterly) Benchmarks

Companies

- [Popeyes Louisiana Kitchen](#)
- [Buffalo Wild Wings](#)
- [Cheesecake Factory](#)

JBFCF Research and Development Expense (Quarterly) Excel Add-In Codes

Metric Code: r_and_d_expense

Latest data point: =YCP("JBFCF", "r_and_d_expense")

Last 5 data points: =YCS("JBFCF", "r_and_d_expense", -4)

To find the codes for any of our financial metrics, see our [Complete Reference of Metric Codes](#).

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Income Statements:

Jollibee Foods Corp (JFC.PS)

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JFC.PS on Philippine Stock Exchange

250.00PHP

2 Sep 2016

Change (% chg)

Php-3.00 (-1.19%)

Prev Close
Php**253.00**

Open
Php**252.40**

Day's High
Php**252.40**

Day's Low
Php**249.00**

Volume
644,230

Avg. Vol
731,442

52-wk High
Php**260.00**

52-wk Low
Php**182.00**

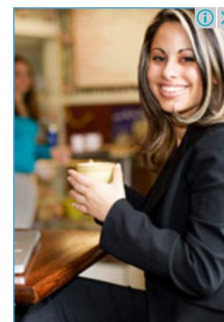
Annual Income Statement

View: Annual Interim

2015
2015-12-31
Period Length
12 Months

In Millions of Philippine Pesos
(except for per share items)

Revenue	100,780.0
Other Revenue, Total	--
Total Revenue	100,780.0
Cost of Revenue, Total	82,891.7
Gross Profit	17,888.0
Selling/General/Admin. Expenses, Total	12,191.5
Research & Development	--
Depreciation/Amortization	341.5
Interest Expense, Net - Operating	--
Interest/Investment Income - Operating	--
Interest Expense(Income) - Net Operating	--
Unusual Expense (Income)	--



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Annual | Quarterly

Income Statement

All numbers in thousands

Revenue

Total Revenue

Cost of Revenue

Gross Profit

Operating Expenses

Research Development

Selling General and Administrative

Non Recurring

Others

Total Operating Expenses

Operating Income or Loss

Income from Continuing Operations

Total Other Income/Expenses Net

Earnings Before Interest and Taxes

Interest Expense

Income Before Tax

Income Tax Expense

Minority Interest

Net Income From Continuing Ops

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PERMITS AND APPROVALS

Other than the reportorial requirements of the Securities and Exchange Commission (“SEC”), The Philippine Stock Exchange (“PSE”), the Bureau of Internal Revenue (“BIR”), and the local permits for the opening and continued operations of stores, there are no other permits, licenses or approvals required from the Company for its operations. The Company is in compliance with the requirements of the SEC, PSE, BIR and local governments.

RESEARCH AND DEVELOPMENT

Research and development is an integral part of the Company’s operations. New products, concepts and ideas are critical to the continued success of the Company and its subsidiaries. For this reason, the Company allocates a Research and Development budget as indicated below for the Jollibee Philippines brand:

<u>Year</u>	<u>Amount</u>	<u>Percentage to Systemwide Sales of Jollibee Brand</u>
2014	PhP77,609,619.44	0.14%
2015	PhP72,994,618.94	0.12%

CALCULATIONS FOR CAPITALIZED RESEARCH AND DEVELOPMENT

PSE:JFC	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
	12/31/2006	12/31/2007	12/31/2008	12/31/2009	12/31/2010	1/1/2012	12/31/2012	12/31/2013	12/31/2014	12/31/2015
R&D expense	26.6	32.9	49.9	63.0	61.8	70.9	56.8	79.6	77.6	73.0
Estimated life of R&D	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Multiple-based capitalization of R&D	133.0	164.3	249.5	314.9	309.2	354.6	283.8	398.0	388.0	365.0
MANUAL FORMULA changes after X yrs.	94.9	115.9	149.9	194.3	234.2	278.5	302.4	332.1	346.7	357.9
GDP Deflator adjustment factor	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.0	1.0
GDP Deflator Adjusted Capitalized R&D	105.5	126.5	164.9	210.2	255.5	299.0	322.0	348.7	363.0	375.1

CALCULATIONS FOR DEPRECIATING ASSETS

PSE:JFC	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
	12/31/2006	12/31/2007	12/31/2008	12/31/2009	12/31/2010	1/1/2012	12/31/2012	12/31/2013	12/31/2014	12/31/2015
GDP Deflator Adjusted Gross PP&E w/CIP	16,240.8	17,264.6	20,412.9	23,479.6	25,543.5	29,501.4	31,288.5	33,719.6	37,389.8	41,160.0
Capitalized Operating Leases	15,570.6	17,963.9	22,184.3	27,069.4	32,615.7	41,236.8	47,376.7	49,970.0	56,212.2	63,147.9
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Total Depreciating Assets	31,916.9	35,354.9	42,762.1	50,759.1	58,414.7	71,037.1	78,987.2	84,038.4	93,964.9	104,682.9

CALCULATIONS FOR DEPRECIATING ASSETS

PSE:JFC	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
	12/31/2006	12/31/2007	12/31/2008	12/31/2009	12/31/2010	1/1/2012	12/31/2012	12/31/2013	12/31/2014	12/31/2015
GDP Deflator Adjusted Gross PP&E w/CIP	16,240.8	17,264.6	20,412.9	23,479.6	25,543.5	29,501.4	31,288.5	33,719.6	37,389.8	41,160.0
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CALCULATIONS FOR DEPRECIATING ASSETS

PSE:JFC	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
	12/31/2006	12/31/2007	12/31/2008	12/31/2009	12/31/2010	1/1/2012	12/31/2012	12/31/2013	12/31/2014	12/31/2015
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Intangibles Included in Depreciating Assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Depreciating Assets	31,916.9	35,354.9	42,762.1	50,759.1	58,414.7	71,037.1	78,987.2	84,038.4	93,964.9	104,682.9

CALCULATIONS FOR NET ASSETS' (ADJUSTED TOTAL ASSETS)

PSE:JFC	2006 12/31/2006	2007 12/31/2007	2008 12/31/2008	2009 12/31/2009	2010 12/31/2010	2011 1/1/2012	2012 12/31/2012	2013 12/31/2013	2014 12/31/2014	2015 12/31/2015
Total Non-Depreciating Assets (w/o LT Invest)	2,242.2	2,485.1	2,932.7	1,320.3	1,977.2	5,618.2	4,217.3	4,498.1	11,691.8	8,674.5
Total Depreciating Assets	31,916.9	35,354.9	42,762.1	50,759.1	58,414.7	71,037.1	78,987.2	84,038.4	93,964.9	104,682.9
Total Assets'	34,159.1	37,840.0	45,694.8	52,079.4	60,391.9	76,655.4	83,204.5	88,536.5	105,656.8	113,357.4
Accumulated Depreciation'	12,766.8	14,142.0	17,104.8	20,303.6	23,365.9	28,414.9	31,594.9	33,615.4	37,586.0	41,873.2
Net Assets'	21,392.4	23,698.1	28,590.0	31,775.7	37,026.0	48,240.5	51,609.6	54,921.1	68,070.8	71,484.2

CALCULATIONS FOR NET ASSETS' (ADJUSTED TOTAL ASSETS)

PSE:JFC	2006 12/31/2006	2007 12/31/2007	2008 12/31/2008	2009 12/31/2009	2010 12/31/2010	2011 1/1/2012	2012 12/31/2012	2013 12/31/2013	2014 12/31/2014	2015 12/31/2015
Total Non-Depreciating Assets (w/o LT Invest)	2,242.2	2,485.1	2,932.7	1,320.3	1,977.2	5,618.2	4,217.3	4,498.1	11,691.8	8,674.5
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Total Assets'	34,159.1	37,840.0	45,694.8	52,079.4	60,391.9	76,655.4	83,204.5	88,536.5	105,656.8	113,357.4
Accumulated Depreciation'	12,766.8	14,142.0	17,104.8	20,303.6	23,365.9	28,414.9	31,594.9	33,615.4	37,586.0	41,873.2
Net Assets'	21,392.4	23,698.1	28,590.0	31,775.7	37,026.0	48,240.5	51,609.6	54,921.1	68,070.8	71,484.2

Gross Assets, Accumulated Depreciation, Net Assets

Gross Profit, After Tax = 20

Gross Assets = 100

Life of Assets = 10 years

Depreciation = 10

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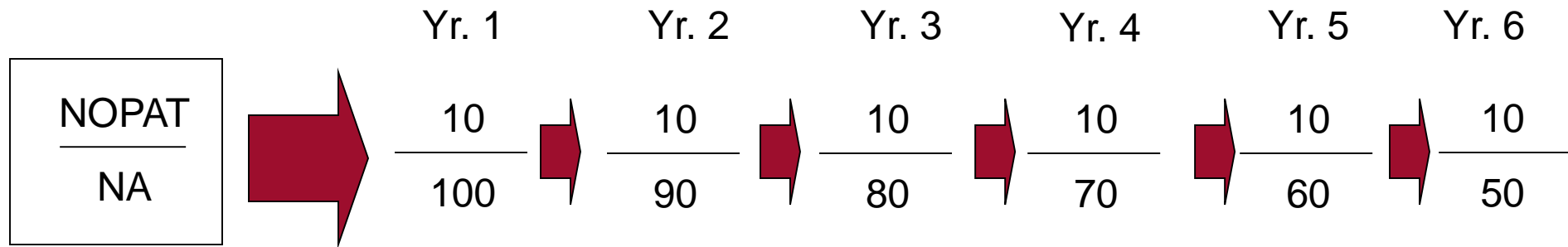
NOPAT

NA

Gross Assets, Accumulated Depreciation, Net Assets

Gross Profit, After Tax = 20
Gross Assets = 100

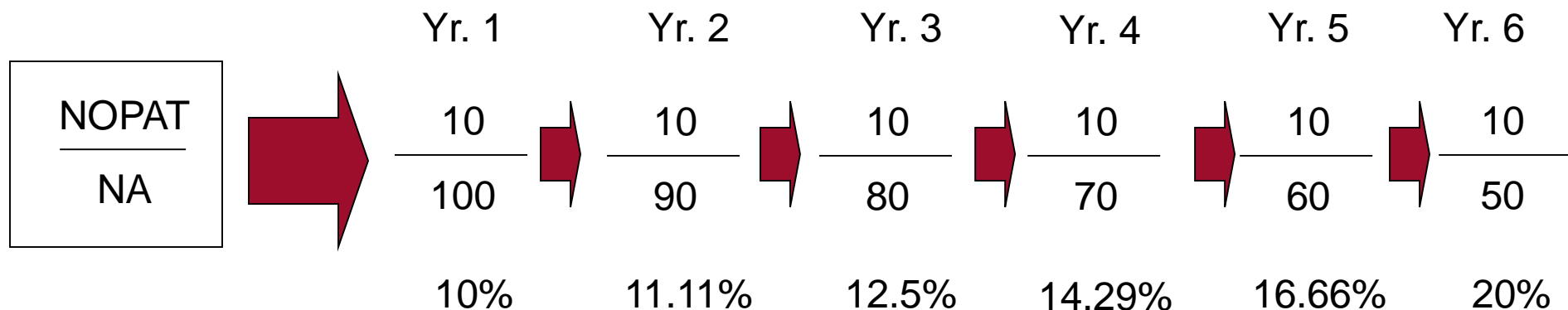
Life of Assets = 10 years
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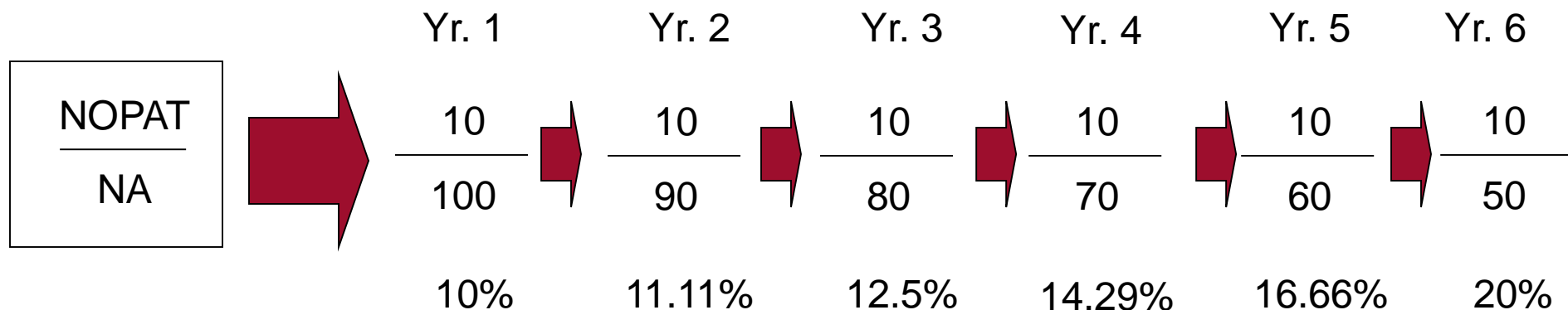
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Half way through asset life, Gross PP&E = 100
A/D = 50 so Net PP&E = 50

Gross Assets, Accumulated Depreciation, Net Assets

Gross Profit, After Tax = 20
Gross Assets = 100

Life of Assets = 10 years
Depreciation = 10

	Yr. 1	Yr. 2	Yr. 3	Yr. 4	Yr. 5	Yr. 6
<div style="border: 1px solid black; padding: 5px; display: inline-block;"> $\frac{\text{NOPAT}}{\text{NA}}$ </div>	$\frac{10}{100}$	$\frac{10}{90}$	$\frac{10}{80}$	$\frac{10}{70}$	$\frac{10}{60}$	$\frac{10}{50}$
	10%	11.11%	12.5%	14.29%	16.66%	20%

Half way through asset life, Gross PP&E = 100
A/D = 50 so Net PP&E = 50
As-reported ROA has doubled from 10% to 20%
???

What if the business grows, let's say it doubles in size

$$\frac{\text{NCF}}{\text{NA}} = \frac{10}{50} = 20\% \text{ ROI}$$

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$$\frac{\text{NCF}}{\text{NA}} = \frac{10}{50} = 20\% \text{ ROI}$$

- Company doubles in size, same economics of new organic growth
- 100 incremental gross PP&E

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$$\frac{\text{NCF}}{\text{NA}} = \frac{20}{150} = 13\% \text{ ROI}$$

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$$\frac{\text{NCF}}{\text{NA}} = \frac{20}{150} = 13\% \text{ ROI}$$

- Did the business's performance really fall by 35%?



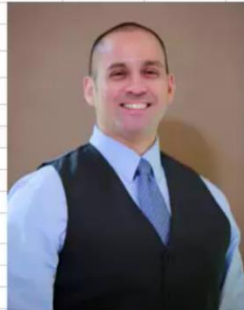
INSTITUTE OF STRATEGY & VALUATION

PERFORMANCE & VALUATION PRIME: "Adjusted Performance and Valuation" or PVP' ADJUSTING DISTORTIONS FROM ACCUMULATED DEPRECIATION SOLVING THE "OLD ASSET/NEW ASSET" MEASUREMENT PROBLEM

Prepared by Professor Joel Litman
Updated October 2015

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Intro	Context	L.S. a	L.S. b	L.S. c	L.S. d	RONA Calc	RONA	EVA Cover	EVA Calc	EVA	CROGA	Issues - CFROI	CFROI Cover	CFROI
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CALCULATIONS FOR NET ASSETS' (ADJUSTED TOTAL ASSETS)

PSE:JFC	2006 12/31/2006	2007 12/31/2007	2008 12/31/2008	2009 12/31/2009	2010 12/31/2010	2011 1/1/2012	2012 12/31/2012	2013 12/31/2013	2014 12/31/2014	2015 12/31/2015
Total Non-Depreciating Assets (w/o LT Invest)	2,242.2	2,485.1	2,932.7	1,320.3	1,977.2	5,618.2	4,217.3	4,498.1	11,691.8	8,674.5
Total Depreciating Assets	31,916.9	35,354.9	42,762.1	50,759.1	58,414.7	71,037.1	78,987.2	84,038.4	93,964.9	104,682.9
Total Assets'	34,159.1	37,840.0	45,694.8	52,079.4	60,391.9	76,655.4	83,204.5	88,536.5	105,656.8	113,357.4
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CALCULATIONS FOR NET ASSETS' (ADJUSTED TOTAL ASSETS)

PSE:JFC	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
	12/31/2006	12/31/2007	12/31/2008	12/31/2009	12/31/2010	1/1/2012	12/31/2012	12/31/2013	12/31/2014	12/31/2015
Total Non-Depreciating Assets (w/o LT Invest)	2,242.2	2,485.1	2,932.7	1,320.3	1,977.2	5,618.2	4,217.3	4,498.1	11,691.8	8,674.5
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Translating, scrubbing, cleaning-up, apples-to-apples

- Earnings or CFFO \rightarrow E' = “Enterprise Earnings”
- Book Assets \rightarrow A' = “Assets of the Enterprise”
- ROE, RONA, ROA \rightarrow ROA'
- CAPX \rightarrow Enterprise Asset Growth
- Price \rightarrow Enterprise value, V'
- Price-to-Book \rightarrow V/A'
- Price-to-earnings \rightarrow V/E'

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CALCULATIONS FOR EV' (ADJUSTED ENTERPRISE VALUE)

PSE:JFC	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
	12/31/2006	12/31/2007	12/31/2008	12/31/2009	12/31/2010	1/1/2012	12/31/2012	12/31/2013	12/31/2014	12/31/2015
Book Value of Debt	228.1	300.9	2,929.4	2,796.7	4,234.7	5,620.0	5,450.2	5,173.8	7,010.1	10,035.9
+ Operating Lease Debt	9,048.3	10,416.5	12,849.2	15,678.6	18,842.6	23,811.8	27,357.2	28,872.9	32,479.7	36,459.8
+ Other Long Term Liabilities	1,262.2	1,069.0	1,079.4	1,040.7	1,338.7	1,552.7	1,641.9	1,728.6	1,676.4	1,646.1
+ Preferred Stock	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
+ Pension Obligations	778.2	463.6	453.8	240.7	163.7	0.0	521.6	932.8	832.4	1,466.5
+ Stock Option Claims	296.7	0.0	478.3	1,031.3	2,445.3	2,269.4	1,452.2	4,879.8	5,233.7	5,156.8
Total Debt'	11,613.5	12,250.0	17,790.1	20,788.0	27,025.0	33,254.0	36,423.1	41,587.9	47,232.3	54,765.1
Add: Minority Interest	21.5	5.4	3.3	3.2	561.9	703.7	733.1	812.1	887.7	1,133.4
Add: Market Cap	41,931.1	52,778.6	42,394.3	56,845.1	92,010.2	93,730.7	106,440.5	182,162.5	229,359.9	234,256.3
Subtract: Non-Operating EV (excess cash)	2,756.9	3,687.4	4,761.0	6,671.2	5,564.4	3,651.4	6,486.5	6,988.9	4,113.8	13,199.8
Enterprise Value Prime	50,809.2	61,346.5	55,426.7	70,965.2	114,032.7	124,036.9	137,110.3	217,573.6	273,366.1	276,955.0

Translating, scrubbing, cleaning-up, apples-to-apples

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Jollibee Foods Corp. (PSE:JFC)
CONSUMER DISCRETIONARY - RESTAURANTS

STOCK PRICE: 247

MKT. CAP: 259,078.7

DATE OF ANALYSIS: 10/22/2016

COMPANY INDEX

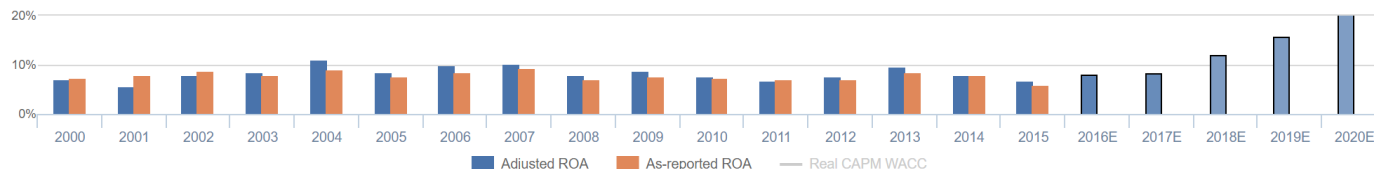
VALENS EQUITIES
Performance & Valuation Prime

VALENS CREDIT
Credit & Capital Structure

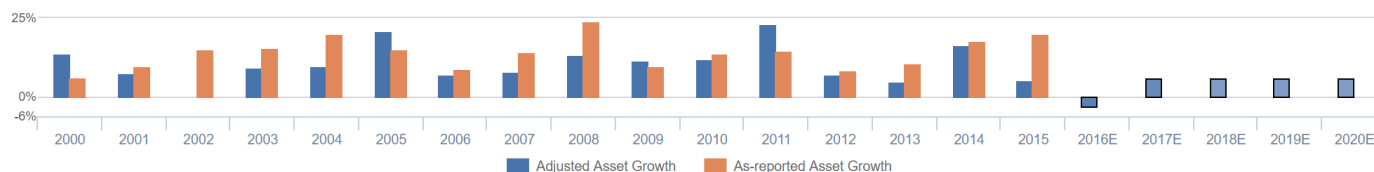
Credit Cash Flow Prime Base Case

Open Embedded Expectations Window

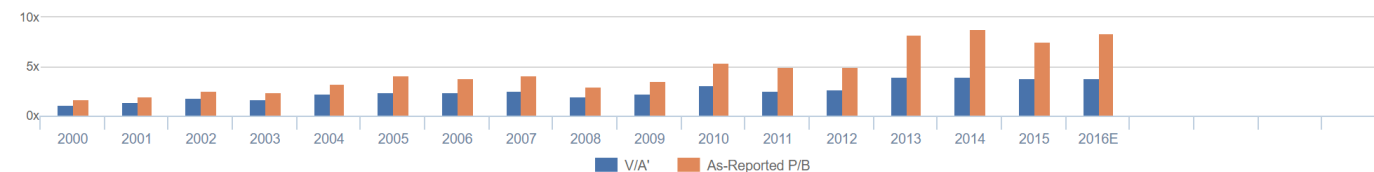
ROA'



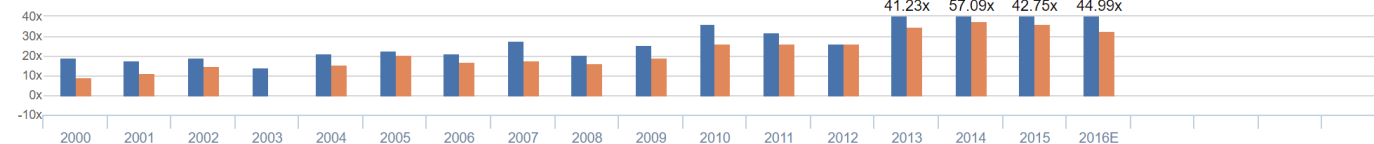
Asset' Growth



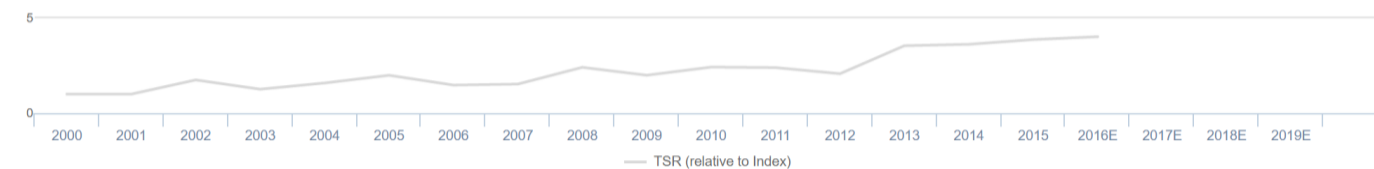
V/A'



Fwd V/E'



TSRr'



Feedback

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Ticker	Company Names	Sector	Home Country	V/A' Current	5 Year CDS (current)	As Reported P/E (Current)	V/E' Current	As-Reported R
AAPL	Apple Inc.	Information Technology	United States	8.9x	40.3	13.5x	9.5x	17.0%
GOOGL	Alphabet Inc.	Information Technology	United States	5x	N/A	21.6x	19.4x	8.7%
MSFT	Microsoft Corporation	Information Technology	United States	4.9x	38.7	19.7x	21x	7.2%
AMZN	Amazon.com, Inc.	Consumer Discretionary	United States	15.3x	54.2	103.8x	63.7x	2.3%
FB	Facebook, Inc.	Information Technology	United States	11.4x	N/A	28.4x	21x	8.8%
XOM	Exxon Mobil Corporation	Energy	United States	1.2x	54.1	25.1x	63.2x	2.3%
BRK.B	Berkshire Hathaway Inc.	Financials	United States	N/A	N/A	N/A	N/A	N/A
JNJ	Johnson & Johnson	Healthcare	United States	3.2x	17.7	17.2x	16.7x	8.7%
GE	General Electric Company	Industrials	United States	2.5x	50.2	19.9x	21.9x	1.1%
BABA	Alibaba Group Holding Limited	Information Technology	China	28.9x	N/A	29.4x	22.7x	6.0%
SEHK:700	Tencent Holdings Limited	Information Technology	China	39.5x	N/A	33.8x	26.1x	9.6%
SEHK:941	China Mobile Limited	Telecommunication Services	Hong Kong	1.7x	105.4	15.4x	20x	5.0%
JPM	JPMorgan Chase & Co.	Financials	United States	N/A	N/A	N/A	N/A	N/A

Feedback

VALENS RESEARCH

Performance and Valuation Prime Adjusting From As-Reported to Economic Reality

Professor Joel Litman
October 2016

Valens Securities, Inc. and The Institute of Strategy & Valuation
110 Cambridge Street, Cambridge, Massachusetts 02141
joel.litman@valens-securities.com

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