



Adjusted Operating Profit (unaudited)

Reconciliation schedule of adjusted operating profit to earnings from continuing operations before income taxes

Dollars In millions

	<u>Three months ended</u>		<u>Twelve months ended</u>	
	<u>6/30/06</u>	<u>6/30/05</u>	<u>6/30/06</u>	<u>6/30/05</u>
Net sales	\$1,319	\$1,254	\$4,644	\$4,388
Gross profit	\$ 577	\$ 553	\$1,959	\$1,895
Gross margin (1)	43.7 %	44.1 %	42.2 %	43.2 %
Adjusted operating expenses (2)	\$ 338	\$ 304	\$1,180	\$1,074
Adjusted operating profit (3) (4)	\$ 239	\$ 249	\$ 779	\$ 821
Adjusted operating profit margin (1) (4)	18.1 %	19.9 %	16.8 %	18.7 %
Restructuring and asset impairment costs	\$ -	(\$ 1)	\$ 1	\$ 36
Interest expense	\$ 32	\$ 27	\$ 127	\$ 79
Other expense (income), net	(\$ 4)	(\$ 8)	(\$ 2)	(\$ 23)
Earnings from continuing operations before income taxes	\$ 211	\$ 231	\$ 653	\$ 729

(1) Percentages based on rounded numbers.

(2) Adjusted operating expenses = selling and administrative expenses, advertising costs and research and development costs.

In accordance with SEC's Regulation G, this schedule provides the definition of a non-GAAP measure and the reconciliation to the most closely related GAAP measure.

(3) Adjusted operating profit (a non-GAAP measure) represents earnings from continuing operations before income taxes (a GAAP measure), excluding restructuring and asset impairment costs, interest expense and other expense (income), net, as reported in the Condensed Consolidated Statements of Earnings (Unaudited). Adjusted operating profit margin is a measure of adjusted operating profit as a percentage of net sales.

Management believes the presentation of adjusted operating profit and margin provides additional useful information to investors about current trends in the business. Adjusted operating profit is a component for the calculation of management incentive compensation and employee profit sharing plans.

(4) Excluding the pretax cumulative charge of approximately \$25 million resulting from noncash stock option compensation expense relating to prior periods dating back to the third quarter of 1996, as well as an \$11 million pretax charge related to Jerry Johnston's retirement from his positions as chairman and CEO, Adjusted operating profit would have been \$275 million in the fourth quarter and \$815 million for the full year, and adjusted operating margin would have been 20.8% and 17.5%, respectively.