

KENNECOTT COPPER CORPORATION

(Carborandum Co. fin. data reflecting Kennecott acquisition at \$66 per share)
(\$ millions except for per share and ratio data)

| INCOME STATEMENT: | 1977 (unadj.) | adjustmts | 1977 (adj.) | 1978 | 1979 | 1980 | 1981 | 1982 | 1983 | 1984 | 1985 | 1986 | 1987 |
|--|------------------|---------------------|----------------|-------|-------|--------|--------|--------|--------|--------|--------|--------|--------|
| Sales | 717.6 | | | 790.1 | 885.9 | 1005.2 | 1129.9 | 1265.5 | 1392.1 | 1531.3 | 1684.4 | 1852.8 | 2038.1 |
| Net Income (bef. adj.) | 38.4 | | | 43.1 | 50.7 | 60.1 | 70.6 | 84.7 | 93.2 | 102.5 | 112.7 | 124.0 | 136.4 |
| Interest adjustment | 0.0 | | | 6.5 | 7.8 | 8.5 | 9.2 | 9.8 | 10.7 | 11.7 | 12.8 | 14.0 | 15.4 |
| Goodwill adjustment | 0.0 | | | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 |
| Plant write-up adj. | 0.0 | | | 2.8 | 2.8 | 2.8 | 2.8 | 2.8 | 2.8 | 2.8 | 2.8 | 2.8 | 2.8 |
| Net Income (aft. adj.) | 38.4 | | | 31.8 | 38.1 | 46.8 | 56.6 | 70.1 | 77.7 | 86 | 95.1 | 105.2 | 116.2 |
| BALANCE SHEET | | | | | | | | | | | | | |
| Working capital | 198.8 | +37 +100 -140 | 195.8 | 202.9 | 223 | 248.1 | 274.2 | 302.8 | 329.3 | 358.6 | 390.7 | 426.1 | 465 |
| Prop, plant & equip | 181.8 | +124 | 305.8 | 334.2 | 367.4 | 384.6 | 400.1 | 411.6 | 437.5 | 466.6 | 499.1 | 535.6 | 576.1 |
| Goodwill | 0 | +80 | 80 | 78 | 76 | 74 | 72 | 70 | 68 | 66 | 64 | 62 | 60 |
| Total assets | 584.3 | +201 | 785.3 | 824 | 889.9 | 948.4 | 1007 | 1065.8 | 1135.5 | 1213.1 | 1299 | 1394.6 | 1500.3 |
| Long-term debt | 86.2 | +100 | 186.2 | 220.9 | 238.8 | 252.9 | 266.8 | 280.1 | 297.7 | 317.5 | 339.4 | 363.9 | 391 |
| Shhldrs. equity | 309 | +101 | 410 | 410.1 | 443.5 | 469.7 | 495.4 | 520.2 | 553 | 589.6 | 630.3 | 675.7 | 726 |
| Total capital | 395.2 | +201 | 596.2 | 631 | 682.3 | 722.6 | 762.2 | 800.3 | 850.7 | 907.1 | 969.7 | 1039.6 | 1117 |
| CAPITAL SOURCES | | | | | | | | | | | | | |
| Profit Retentions | | | | 0.1 | 33.4 | 26.2 | 25.7 | 24.8 | 32.8 | 36.6 | 40.7 | 45.4 | 50.3 |
| Capital from Kennecott | | | | - | - | - | - | - | - | - | - | - | - |
| Debt financing (net) | | | | 34.7 | 17.9 | 14.1 | 13.9 | 13.3 | 17.6 | 19.8 | 21.9 | 24.5 | 27.1 |
| Total capital added | | | | 34.8 | 51.3 | 40.3 | 39.6 | 38.1 | 50.4 | 56.4 | 62.6 | 69.9 | 77.4 |
| KEY FINANCIAL RATIOS | | | | | | | | | | | | | |
| Growth rate in sales(%) | 16.90 | | | 10.1 | 12.1 | 13.5 | 12.4 | 12 | 10 | 10 | 10 | 10 | 10 |
| Sales/assets | 1.23 | | | 0.96 | 1.00 | 1.06 | 1.12 | 1.19 | 1.23 | 1.26 | 1.30 | 1.33 | 1.36 |
| Profit/sales | 0.054 | | | 0.04 | 0.043 | 0.047 | 0.05 | 0.055 | 0.056 | 0.056 | 0.056 | 0.057 | 0.057 |
| Assets/net worth | 1.89 | | | 2.01 | 2.01 | 2.02 | 2.03 | 2.05 | 2.05 | 2.06 | 2.06 | 2.06 | 2.07 |
| Profit/net worth | 0.124 | | | 0.078 | 0.086 | 0.10 | 0.114 | 0.135 | 0.141 | 0.146 | 0.151 | 0.156 | 0.160 |
| CASH FLOW TO KENNECOTT | | | | | | | | | | | | | |
| Acquisition of Carborandum | | | -550 | | | | | | | | | | |
| Dividends to Kennecott | | | 140 | 31.7 | 4.7 | 20.6 | 30.9 | 45.3 | 44.9 | 49.4 | 54.4 | 59.8 | 65.9 |
| Utilization of Kennecott tax loss carryforwards | | | - | 20 | 20 | - | - | - | - | - | - | - | - |
| Tax shelter from plant write-up adj. | | | | 2.8 | 2.8 | 2.8 | 2.8 | 2.8 | 2.8 | 2.8 | 2.8 | 2.8 | 2.8 |
| Terminal value at 10 times earnings | | | | | | | | | | | | | 1044.9 |
| Net cash flow | | | -410 | 54.5 | 27.5 | 23.4 | 33.7 | 48.1 | 47.7 | 52.2 | 57.2 | 62.6 | 1113.6 |

| | Cost of equity | Cost of capital |
|----------------------|----------------|-----------------|
| Kennecott (Acquirer) | 13.00% | 10.50% |
| Carborandum (Target) | 16.50% | 12.50% |