

❧ Appendix ❧

Non-GAAP Adjustments

Reconciliation of Reported (GAAP) to Adjusted (non-GAAP) Financial Measures

(Dollar amounts in millions, except per share data)

	2005	2006	2007 ¹	2008 ²	2009 ³	2010	2011 ⁴	2012 ⁵	2013 ⁶	2014 ⁷	2015 ⁸	2016 ⁹	2017 ¹⁰
Non-GAAP adjustments, Continuing Operations													
Gain/loss from sale of real est and/or businesses	\$ -	\$ (4)	\$ (9)	\$ (13)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (20)
Unusual worker's compensation charges	21	-	-	-	-	-	-	-	-	-	-	-	-
Discontinued ops overhead	-	12	12	-	-	-	-	-	-	-	-	-	-
Unusual bad debt expense	-	-	-	7	8	-	-	-	-	-	-	-	-
Note write-off from divested business	-	-	-	-	11	-	-	-	-	-	-	-	-
Benefit from litigation settlement proceeds	-	-	-	-	-	-	-	-	-	-	-	-	(7)
Impairment charges	-	-	145	10	-	-	-	-	67	-	6	4	5
Pension settlement charge	-	-	-	-	-	-	-	-	-	-	12	-	15
Litigation accrual	-	-	-	-	-	-	-	-	-	54	6	-	-
Acquisition-related bargain purchase gain	-	-	-	-	-	-	-	-	(9)	-	-	-	-
Restructuring-related charges	44	18	24	34	-	-	15	-	-	-	-	-	-
Non-GAAP adjustments, pre-tax	65	26	172	38	19	-	15	-	58	54	23	(30)	(0)
Income tax impact	(22)	(8)	(28)	(14)	(6)	-	(5)	-	(21)	(21)	(9)	12	(0)
Special tax items	(10)	(11)	13	(1)	6	-	-	(27)	-	-	-	-	43
Non-GAAP adjustments, after tax	\$ 33	\$ 7	\$ 157	\$ 23	\$ 19	\$ -	\$ 10	\$ (27)	\$ 37	\$ 33	\$ 15	\$ (18)	\$ 42
Diluted shares outstanding	193.6	186.8	179.8	168.2	160.0	153.3	147.0	146.0	147.2	143.2	142.9	140.0	137.3
EPS impact of non-GAAP adjustments	\$ 0.17	\$ 0.04	\$ 0.87	\$ 0.14	\$ 0.12	\$ -	\$ 0.07	\$ (0.18)	\$ 0.25	\$ 0.23	\$ 0.09	\$ (0.13)	\$ 0.32

¹ 2007 adjustments were primarily in 4Q.

² 2008 adjustments were primarily in 4Q.

³ 2009 adjustments: Bad debt expense was in 1Q, write-down of divestiture note was in 2Q, and unusual tax items were in 4Q.

⁴ 2011 adjustments were in 4Q.

⁵ 2012 adjustments were in 4Q.

⁶ 2013 adjustments: Impairment charge was in Specialized Products - 4Q; acq-related purch gain was below segments - 3Q.

⁷ 2014 adjustments: Litigation accrual was in Residential Products - \$32m in 3Q and \$22m in 4Q.

⁸ 2015 adjustments: Litigation accrual was in Residential Products - \$2m in 2Q and \$4m in 4Q;

Impairment charge was in Industrial Products - 1Q; and pension buyout was below segments - 4Q.

⁹ 2016 adjustments: Divestiture gains of \$11m in Specialized Products - 2Q and \$16m in Industrial Products - 4Q;

Impairment charge in Specialized Products - 2Q; and litigation settlement gain in Residential Products - 2Q.

¹⁰ 2017 adjustments: Divestiture loss of \$3m in Specialized Products - 3Q and real estate gain of \$23m in Specialized Products - 4Q;

Impairment charge in Industrial Products - 3Q and pension settlement charge in Q4; Divestiture tax benefit in Specialized Products of \$6m in Q3 and \$2m in Q4;

Tax Cuts and Jobs Act impact of \$50m in Q4.

Reconciliation of Adj EBIT, Adj EBIT Margin, Adj Earnings, and Adj EPS

(\$ millions, except EPS)	2011	2012	2013	2014	2015	2016	2017
EBIT (continuing operations)	\$266	\$324	\$275	\$332	\$487	\$522	468
Non-GAAP adjustments, pre-tax	15	-	58	54	23	(30)	-
Adjusted EBIT (cont. operations)	\$281	\$324	\$333	\$386	\$510	\$492	\$468
Net sales	\$3,303	\$3,415	\$3,477	\$3,782	\$3,917	\$3,750	\$3,944
Adjusted EBIT margin	8.5%	9.5%	9.6%	10.2%	13.0%	13.1%	11.9%
Earnings from cont. operations	\$173	\$231	\$186	\$225	\$328	\$367	\$294
Non-GAAP adjustments, after tax	10	(27)	37	33	15	(18)	42
Adj Earnings from cont. operations	\$183	\$204	\$223	\$258	\$343	\$349	\$336
Diluted EPS from cont. operations	\$1.15	\$1.57	\$1.25	\$1.55	\$2.27	\$2.62	\$2.14
EPS impact from non-GAAP adjs	.07	(.18)	.25	.23	.09	(.13)	.32
Adjusted EPS from cont. operations	\$1.22	\$1.39	\$1.50	\$1.78	\$2.36	\$2.49	\$2.46

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Calculation of Return on Equity and Return on Total Capital

(\$ millions)	2011	2012	2013	2014	2015	2016	2017	2018e ²
Return on Equity								
Earnings from cont. operations	\$173	\$231	\$186	\$225	\$328	\$367	\$294	\$360
Non-GAAP adjustments, after tax	10	(27)	37	33	15	(18)	42	-
Adj earnings from cont. operations	\$183	\$204	\$223	\$258	\$343	\$349	\$336	\$360
Avg shareholder equity	\$1,416	\$1,375	\$1,421	\$1,277	\$1,126	\$1,096	\$1,142	\$1,210
Adj. Return on Avg. Equity	12.9%	14.8%	15.7%	20.2%	30.4%	31.8%	29.4%	29.8%
Return on Total Capital								
Adj earnings from cont. operations	\$183	\$204	\$223	\$258	\$343	\$349	\$336	\$360
Plus: After-tax interest expense	28	31	34	31	30	30	34	45
	\$211	\$235	\$257	\$289	\$373	\$379	\$370	\$405
Avg total capital ¹	\$2,402	\$2,424	\$2,398	\$2,210	\$2,204	\$2,270	\$2,426	\$2,670
Adj. Return on Avg. Total Capital	8.8%	9.7%	10.7%	13.1%	16.9%	16.7%	15.3%	15.2%

¹ Total capital = long-term debt + shareholder equity + d. taxes + other LT liabilities.

² 2018 estimates are based on mid-point of guidance.

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Calculation of Dividend Payout % of Adjusted EPS

	2014	2015	2016	2017	2018e ¹
Diluted EPS from cont. operations	\$1.55	\$2.27	\$2.62	\$2.14	\$2.63
EPS impact from non-GAAP adjs	.23	.09	(.13)	.32	-
Adjusted EPS from cont. operations	\$1.78	\$2.36	\$2.49	\$2.46	\$2.63
Annual dividend per share	\$1.22	\$1.26	\$1.34	\$1.42	\$1.50
Dividend payout % of diluted EPS from continuing operations	79%	56%	51%	66%	57%
Dividend payout % of adjusted EPS	69%	53%	54%	58%	57%

¹ 2018 estimates are based on mid-point of guidance.

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Calculation of Debt to Adjusted EBITDA

(\$ millions)	2014	2015	2016	2017	2018e ²
EBIT (cont. operations)	\$332	\$487	\$522	\$468	\$500
Non-GAAP adjustments, pre-tax	54	23	(30)	-	-
Adjusted EBIT (cont. operations)	386	510	492	468	500
Depreciation and amortization ¹	118	113	115	126	135
Adjusted EBITDA	\$504	\$623	\$607	\$594	\$635
Total Debt (long-term + current)	\$964	\$945	\$960	\$1,252	\$1,250
Debt to Adjusted EBITDA	1.9	1.5	1.6	2.1	2.0

¹ D&A is from continuing operations.

² 2018 estimates are based on mid-point of guidance.

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Calculation of Net Debt to Net Capital

Net Debt (\$ millions)	2014	2015	2016	2017	2018e
Current Maturities of Long-Term Debt	\$202	\$3	\$4	\$154	-
Long-Term Debt	762	942	956	1,098	1,250
Total Debt	964	945	960	1,252	1,250
<u>Less:</u>					
Cash and Cash Equivalents	(333)	(253)	(282)	(526)	(350)
Net Debt	\$631	\$692	\$678	\$726	\$900

Net Capital (\$ millions)	2014	2015	2016	2017	2018e
Long-Term Debt	\$762	\$942	\$956	\$1,098	\$1,250
<u>Plus:</u>					
Deferred Income Taxes	42	38	54	83	85
Other Long-Term Liabilities	185	185	173	203	200
Total Equity	1,155	1,098	1,094	1,191	1,230
Total Capital	2,144	2,263	2,277	2,575	2,765
<u>Add:</u>					
Current Maturities of Long-Term Debt	202	3	4	154	-
<u>Less:</u>					
Cash and Cash Equivalents	(333)	(253)	(282)	(526)	(350)
Net Capital	\$2,013	\$2,013	\$1,999	\$2,203	\$2,415
Long-term Debt to Total Capital	36%	42%	42%	43%	45%
Net Debt to Net Capital	31%	34%	34%	33%	37%

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Non-GAAP Financial Measures

While we report financial results in accordance with accounting principles generally accepted in the U.S. ("GAAP"), this presentation includes non-GAAP measures. These include **adjusted EBIT**, **adjusted EBIT margin**, **adjusted earnings**, and **adjusted EPS**. We believe these non-GAAP measures are useful to investors in that they assist investors' understanding of underlying operational profitability. Management uses these non-GAAP measures as supplemental information to assess the company's operational performance.

Other non-GAAP measures included in this presentation are **net debt**, **net capital**, and **adjusted EBITDA**. We believe the presentation of net debt to net capital provides investors a useful way to evaluate the company's debt leverage if we were to use cash to pay down debt. Our cash has fluctuated, sometimes significantly, from period to period. We use this ratio as supplemental information to track leverage trends across time periods with variable levels of cash. Because we may not be able to use our cash to reduce our debt on a dollar-for-dollar basis, the net debt to net capital ratio may have material limitations.

We also believe the presentation of debt to adjusted EBITDA provides investors a useful way to assess the time it would take the Company to pay off all of its debt, ignoring various factors including interest and taxes. Management uses this ratio as supplemental information to assess its ability to pay off its incurred debt.

The above non-GAAP measures may not be comparable to similarly titled measures used by other companies and should not be considered a substitute for, or more meaningful than, their GAAP counterparts.

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