

Reconciliation of Non-GAAP Financial Measures (Unaudited)

This report contains information about our operating results reflecting certain adjustments, including adjustments to cost of revenues, selling general, and administrative expenses, income before income taxes, income tax expense, net income, diluted earnings per share, and operating margin. These measures are considered non-GAAP financial measures under the SEC's rules and should be considered in addition to, rather than as a substitute for, the comparable GAAP financial measures as measures of our profitability. We believe that reflecting these adjustments provides investors relevant and useful information for evaluating the comparability of financial information presented and comparing our profitability to other companies in the homebuilding industry. Although other companies in the homebuilding industry report similar information, the methods used may differ. We urge investors to understand the methods used by other companies in the homebuilding industry to calculate these measures and any adjustments thereto before comparing our measures to those of such other companies. The following tables set forth a reconciliation of the non-GAAP financial measures to the GAAP financial measures that management believes to be most directly comparable (\$000's omitted):

	Twelve Months Ended December 31, 2017			Twelve Months Ended December 31, 2016		
	As Reported	Adjustments (a)	Adjusted	As Reported	Adjustments (b)	Adjusted
Revenues:						
Homebuilding						
Home sale revenues	\$ 8,323,984	\$ —	\$ 8,323,984	\$ 7,451,315	\$ —	\$ 7,451,315
Land sale revenues	57,106	—	57,106	36,035	—	36,035
	<u>8,381,090</u>	<u>—</u>	<u>8,381,090</u>	<u>7,487,350</u>	<u>—</u>	<u>7,487,350</u>
Financial Services	192,160	—	192,160	181,126	—	181,126
Total revenues	<u>8,573,250</u>	<u>—</u>	<u>8,573,250</u>	<u>7,668,476</u>	<u>—</u>	<u>7,668,476</u>
Homebuilding Cost of Revenues:						
Home sale cost of revenues	(6,461,152)	101,058	(6,360,094)	(5,587,974)	1,074	(5,586,900)
Land sale cost of revenues	(134,449)	81,006	(53,443)	(32,115)	—	(32,115)
	<u>(6,595,601)</u>	<u>182,064</u>	<u>(6,413,537)</u>	<u>(5,620,089)</u>	<u>1,074</u>	<u>(5,619,015)</u>
Financial Services expenses	(119,289)	—	(119,289)	(108,573)	—	(108,573)
Selling, general, and administrative expenses (SG&A)	(891,581)	(65,496)	(957,077)	(957,150)	(45,213)	(1,002,363)
Other expense, net	<u>(27,951)</u>	<u>8,017</u>	<u>(19,934)</u>	<u>(48,814)</u>	<u>26,643</u>	<u>(22,171)</u>
Income before income taxes	938,828	124,585	1,063,413	933,850	(17,496)	916,354
Income tax expense	<u>(491,607)</u>	<u>107,661</u>	<u>(383,946)</u>	<u>(331,147)</u>	<u>(17,596)</u>	<u>(348,743)</u>
Net income	<u>\$ 447,221</u>	<u>\$ 232,246</u>	<u>\$ 679,467</u>	<u>\$ 602,703</u>	<u>\$ (35,092)</u>	<u>\$ 567,611</u>
Earnings per share (diluted)	\$ 1.44		\$ 2.19	\$ 1.75		\$ 1.66
Home sale gross margin	22.4 %		23.6 %	25.0 %		25.0 %
SG&A as a percentage of sales	<u>10.7 %</u>		<u>11.5 %</u>	<u>12.8 %</u>		<u>13.5 %</u>
Operating margin	11.7 %		12.1 %	12.2 %		11.6 %
Effective tax rate	52.4 %		36.1 %	35.5 %		38.1 %

(a) Includes land inventory impairments, net realizable value adjustments on land held for sale, net insurance-related benefits, an impairment of an investment in an unconsolidated subsidiary, and income tax charges primarily related to the revaluation of deferred tax assets resulting from the Tax Cuts and Jobs Act enacted in December 2017

(b) Includes land inventory impairments, net insurance-related benefits, restructuring costs associated with a plan to reduce overhead expenses, costs relating to shareholder activities, a charge resulting from the settlement of a disputed land transaction, and net income tax benefits primarily related to energy efficient home credits and a deferred tax benefit related to a legal entity restructuring