

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

May 24, 2004

Date of Report (Date of earliest event reported)

FORTUNE BRANDS, INC.

(Exact name of registrant as specified in its charter)

Delaware

1-9076

13-3295276

(State or other jurisdiction
of incorporation)

(Commission
File Number)

(IRS Employer
Identification No.)

300 Tower Parkway, Lincolnshire, Illinois
(Address of principal executive offices)

60069
(Zip Code)

Registrant’s telephone number, including area code (847) 484-4400

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INFORMATION TO BE INCLUDED IN THE REPORT

Item 7. Financial Statements and Exhibits.

Item 9. Regulation FD Disclosure.

SIGNATURE

EXHIBIT INDEX

Investor Brochure of Registrant

INFORMATION TO BE INCLUDED IN THE REPORT

Item 7. Financial Statements and Exhibits.

(c) Exhibits.

99. Investor Brochure dated May 20, 2004.

Item 9. Regulation FD Disclosure.

On May 21, 2004, the Registrant began distribution of the investor brochure attached as Exhibit 99 relating to the Registrant and its business.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this Current Report to be signed on its behalf by the undersigned thereunto duly authorized.

FORTUNE BRANDS, INC.

(Registrant)

By /s/ C.P. Omtvedt

C.P. Omtvedt
Senior Vice President and
Chief Financial Officer

Date: May 24, 2004

EXHIBIT INDEX

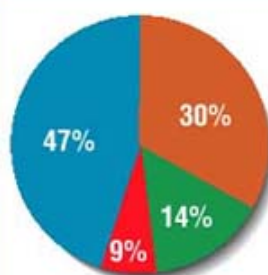
Exhibit	Sequentially Numbered Page
99. Investor brochure of Registrant dated May 20, 2004.	

FORTUNE BRANDS

May 20, 2004 • \$72 Stock • 15.9x '04 P/E • 5.5% Total Yield (Dividend+Free Cash Flow)
\$10.4B Market Cap • \$6B sales • 16% ROIC • "A" Debt Ratings • Goals: 10%+ EPS, ↑Returns



Strong Consumer Brands & Markets



2003 % Operating Income (O.I.) Before Charges

	Return on Net Tangible Assets ⁽⁷⁾	Long-Term O.I. Growth Goal
Home & Hardware	30%	5-8%
Spirits & Wine	35%	4-6%
Golf	15-20%	2-5%
Office	10% (20-25% goal)	7-9%
Fortune Brands	25% (vs. 8-9% cost of capital)	6-7% (3-5 year internal rate)



Consistent, Strong Growth & Returns

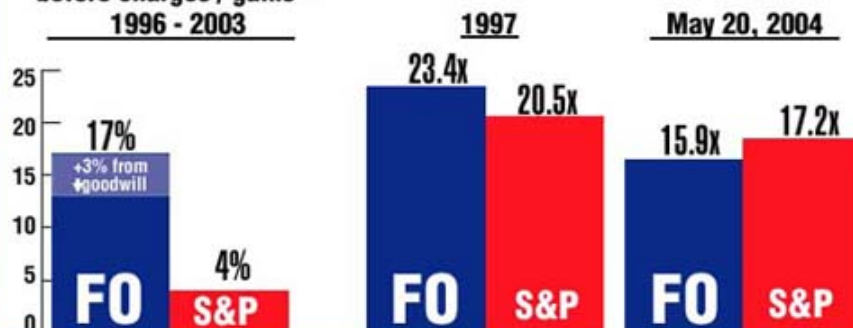
	'97 ⁽¹⁰⁾	'98	'99	'00	'01	'02	'03
Growth:							
Net Sales Growth	3%	9%	4%	3%	-1%	2%	9%
Underlying Net Sales ⁽¹⁾ Growth	4%	4%	4%	6%	-2%	5%	5%
Underlying Operating Income ⁽²⁾	10%	8%	4%	10%	-5%	9%	6%
EPS before charges/gains ⁽³⁾	16%	13%	19%	15%	5%	19% ⁽⁸⁾	19%
Returns:							
ROIC before charges/gains ⁽⁴⁾ (%)	11.6	10.7	11.9	12.3	13.3	16.0	16.5
ROE before charges/gains ⁽⁵⁾ (%)	15.3	15.0	17.4	20.1	20.2	22.5	23.5
Dividend Rate ⁽⁹⁾ (¢)	84	88	92	96	100	108	120
Free Cash Flow ⁽⁶⁾ (after div., \$, mm)	96	11	122	113	287	447	442
Shares Purchases (% of diluted)	1.4	1.9	6.3	6.0	4.8	3.7	2.7



Driving Shareholder Value

EPS Growth Rate
before charges / gains⁽¹¹⁾
1996 - 2003

Forward P/E



STRONG CONSUMER BRANDS & MARKETS



CABINETS

\$1,500mm Total

ARISTOKRAFT

\$400 Million⁽¹³⁾

SCHROCK

\$200 Million

KITCHEN CRAFT

\$200 Million

OMEGA

\$150 Million

HOMECREST

\$150 Million

NHB

\$100 Million

KEMPER

\$100 Million



MOEN

\$800 Million⁽¹³⁾



Titleist

\$650 Million

□ Leading consumer brands and market positions.

— **90%+ sales from #1 or #2 market positions (up from 80%+ in 2001).**

— Household names, such as Moen, Titleist, Jim Beam, and Master Lock.

— **Home & Hardware (\$2,900mm '03 sales; 47% of total):** a leader in kitchen & bath products in North America with #2 cabinets (45% Home '04 sales) and #1 Moen faucets (25% sales); #1 Therma-Tru entry doors in U.S. (15% sales); a leader in hardware (15% sales) with #1 Master Lock and American Lock padlocks as well as #1 Waterloo tool storage (primary supplier for Sears Craftsman® line).

— **Spirits & Wine (\$1,091mm sales, incl. \$302mm excise taxes; 17% of total):** leader in bourbon (Jim Beam #1 worldwide) and cordials (DeKuyper #1 U.S.), representing 3/4 '03 profits; super-premium Knob Creek bourbon, Vox vodka, Dalmore Single Malt Scotch, El Tesoro tequila, and Geyser Peak and Wild Horse wines; #2 U.S. spirits distribution with Future Brands joint venture (partner Vin & Sprit, maker of Absolut, #1 imported vodka), and strong internationally with Maxxium (partners Vin & Sprit, Remy-Cointreau and Highland Distillers).

— **Golf (\$1,122mm sales; 18% of total):** #1 golf equipment manufacturer; #1 in golf balls with Titleist and Pinnacle (40% Golf '03 sales), #2 in golf clubs with Titleist and Cobra (30-35% sales), #1 in golf shoes & gloves with FootJoy (20-25% sales), and #1 golf outerwear, other accessories (5-10% sales).

— **Office (\$1,102mm sales; 18% of total):** #1 in North America with #1 Swingline staplers/punches, #1 ACCO clips, #1 Kensington PC security, #2 Wilson Jones ring binders, #2 Apollo/Boone whiteboards & overhead projectors (U.S.) and Day-Timer; #1 in Australia, Canada and Mexico.

□ Strong demographics drive 4% average long-term market revenue growth:

— Market growth up from 3-4% with ↑importance and strong growth of cabinets market, sustained ↑U.S. spirits market, and sale of low growth businesses.

— **Home:** ↑Remodel (1/3 market) with ↑household wealth, ↑consumer spending on home, ↑highest-ROI projects kitchen, bath and entry doors, and ↑mobile society; ↑Repair (1/3 market) with aging housing stock and product innovation; ↑New Construction (1/3 market) with ↑home ownership with age, immigration, and ↑2nd homes; Other drivers – kitchens larger and often centerpiece of home, ↑baths per home, and historically attractive interest rates.

— **Hardware:** ↑Security concerns; ↑need for storage and Do-It-Yourself trend.

— **Spirits & Wine:** ↑U.S. legal-age drinkers, cocktail resurgence, faster growth of premium brands, low-carb trend, ↑bourbon international demand.

— **Golf:** Low single-digit long-term growth in U.S. rounds of play (rounds up substantially with age, particularly retirement), ↑worldwide popularity of golf.

— **Office:** Fast growth of small, home and mobile offices, information age driving growth of office & writing paper, long-term growth of white collar employment benefiting from ↑service economy.

□ Focused on high-return, multi-channel and segment consumer markets that reward brand building, innovation and customer service.

— 25%+ our sales from new products introduced last 3 years.

— Specialized, multi-channel distribution in each category.

- Largest customer less than 5% of Fortune Brands' sales.

- Combined mass merchant, home center & office superstore reseller sales just approximately 15-20% of Fortune Brands' sales.

- New construction 15-20% of Fortune Brands' sales.

— Also high-return international opportunities (total sales 22% international: 10% Home, 25% Sprits & Wine, 25-30% Golf, and 45-50% Office).

CONSISTENT, STRONG GROWTH & RETURNS

- **Developed superior profitable growth record since becoming Fortune Brands in 1997 (see highlights on cover). Achieving long-term goals:**
 - ✓ 4-6% internal sales growth driven by 4% average market revenue growth, and share gains with brand investment and innovation.
 - ✓ 6-7% internal operating income growth (see segment goals on cover) driven by productivity gains and ↑mix (e.g. higher margin new products and faster growth of premium spirits).
 - ✓ 10%+ diluted EPS growth and improved returns, with stronger asset management and high-return use of strong free cash flow (\$400mm per year and growing).
 - ✓ Acquisitions not necessary to achieve goals (EPS ↑10%+ internally 1996-2003).
- **Focus on extending profitable growth record for the long-term.**
 - Achievable, cautious financial guidance includes sustained strategic spend for long-term growth (e.g. maintained strategic spend during 2001 recession).
 - ↑Brand investment as a % sales 1997-2003.
- **For 2004, we announced on April 23 that we expect diluted EPS before charges/gains⁽¹²⁾ will grow strong double-digits and GAAP EPS will be up strongly.**

Highlights of 2004 Growth Initiatives:

- **Home & Hardware** – Continue cabinets ↑share across channels in fragmented, fast growing \$9B market, completing roll-outs of Thomasville® at Home Depot & Diamond Reflections at Lowe's, as well as ↑new products for current & new markets across Home & Hardware
- **Spirit & Wine** – Continue Jim Beam U.S. ↑price repositioning with ↑advertising on new campaign, ↑DeKuyper & superpremium (test marketing Starbucks-branded coffee liqueur in U.S.) targeted ↑international, and ↑leverage of distribution joint ventures.
- **Golf** – Well positioned with marketplace momentum from 2003 ↑share across lines. ↑Brand investment and ↑international, continue to lead innovation.
- **Office** – Complete repositioning program, deliver substantial incremental cost savings, and renew new product engine.
- **Drive ROIC** on past acquisitions with Therma-Tru growth and synergies as well as integration of 2003 bolt-ons.
- **Posted net gains from special items in 2002 and 2003 despite charges, and not anticipating further restructuring "programs" across operations.**
 - Predominant drivers of recent charges and gains complete in 2004 (repositioning of Office and catch-up of routine IRS tax audits 1993-2001).

DRIVING SHAREHOLDER VALUE

- **First and foremost, build profitable leading consumer brands, driving value through category leading innovation, plus sales, marketing, supply chains and service.**
 - 31,000 associates, top talent in each category, decentralized operations, culture that's passionate, creative, open to ideas, can-do, lean, diverse, and high integrity (see fortunebrands.com for policies on Corporate Governance, Code of Conduct, Environmental, and Global Employment).
 - 250+ patents awarded in 2003.
 - Ongoing asset and cost reduction (3-5% per year goals) to fuel brand investment and profit growth.
 - Preferred vendor status across categories – partner of choice.



JIM BEAM
\$400 Million



THERMA-TRU
DOORS
\$350 Million



FOOTJOY
\$250 Million



WILLY
\$250 Million



Master Lock.

\$200 Million



DEKUYPER

\$150 Million



cobra

\$150 Million



KENSINGTON

\$150 Million

- **Second, steward capital with discipline and patience, driving value by sharply allocating capital based on returns prioritized generally as follows:**

- (1) Internal growth and ↑ returns: Capital expenditures payback in 3 years; emphasis on growth to drive value for Home and Spirits & Wine given exceptional returns, ↑ returns for Office and a balance on growth and returns for Golf.
- (2) Add-on acquisitions, joint ventures: Targeted, synergy-driven and must buy well (5-8x forward EBITDA target), focus where long-term returns highest – Home brands, and premium spirits & wine.
- (3) Share buybacks: Forward P/E discount to S&P 500 has narrowed but remains 8% to S&P 500 (5/20) – FO's sustained stronger growth, returns and cash flow, plus stronger balance sheet merit return to a premium.
 - FO also is trading at approximately a 25% discount to other leading consumer products companies.
- (4) Dividend: ↑ Every year as Fortune Brands, including +8% in 2002 and +11% in 2003 to current \$1.20 rate.
- (5) Debt reduction: Solid "A" debt ratings (\$1,974mm total debt; 39% debt-to-total capital, 12/31/03) with goal to sustain "A" category rating long-term.

- **Third, extend consistent track record of creating shareholder value: focus on internal brand building and delivering results while carefully progressing the evolution of the portfolio and leveraging our strong overall financial resources to drive further value.**

Development:

- **2003:** Acquired #1 Thermo-Tru entry door systems for \$924mm cost (11/03), expecting **+15¢ EPS** accretion in first year – upsides include ↑ home center and ↑ large builder sales synergies as well as ↑ fiberglass door market penetration.
 - Also made bolt-ons: American Lock to Master Lock, Capital Cabinets to our cabinets business, and Wild Horse Winery to Geyser Peak (\$124mm total cost).
- **2002:** Added #4 Omega Group to our #2 cabinet business for \$538mm (4/02), earning **more than 20¢ EPS** with significant cost and cross-selling synergies, expanding product line to custom and frameless semi-custom.
- **2001:** Created strategic alliance with Vin & Spirit (6/01), the makers of Absolut vodka, adding **+20-25¢ EPS** by forming #2 in U.S. "Future Brands" distribution joint venture (\$270mm proceeds and achieved 40% cost reduction) and selling 10% interest in our Spirits & Wine business for \$375mm (10-11x EBITDA).

Reposition/Divestiture:

- **2001-2003:** Office's dramatic turnaround despite soft industry after considering sale (10/00-4/01). Eliminated unprofitable 10% sales, reduced 40%+ headcount & operations footprint (completing in 2004), generated \$425mm operating cash flow after restructuring 2001-2003, and ↑ returns to above cost of capital in 2003.
 - Expecting to achieve low double-digit operating margins and 20-25% after-tax O.I. RONTA over next year or two despite the industry remaining challenged.
- **2001-2002:** \$280mm proceeds (7.5x trailing O.I.) divesting \$235mm sales private-label Scotch (10/01), and \$19mm for a \$60mm sales commodity plumbing parts business and a non-strategic spirits & wine brand in 2002.
- **2000:** Completed 40% downsizing of corporate office and move from Greenwich, CT, to an existing Office facility in Lincolnshire, IL: **+10¢ EPS.**

Financing:

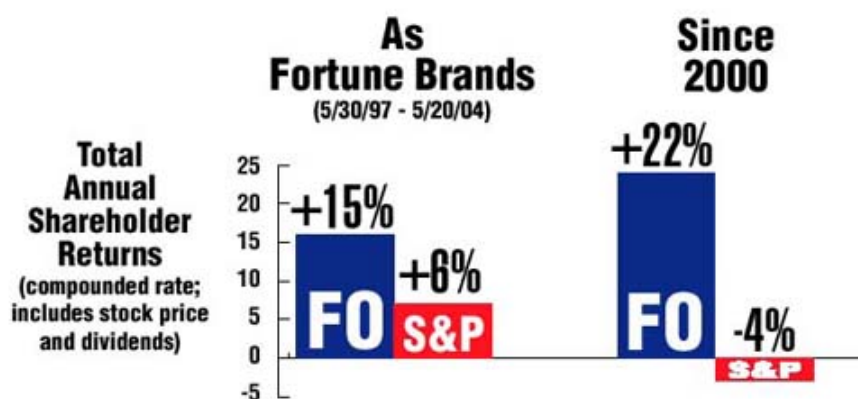
- **1999-2003:** High-return share repurchases of \$1.4B in total to buy 38mm shares at an average price of \$37, achieving a 13% net reduction in # diluted shares.
- **2001-2002:** Recapitalization of Office – selling less than 2% interest – resulted in substantial tax loss carryforward.

□ **Fourth, leverage category breadth to drive value.**

- Steward capital targeting highest returns across operations, ensuring brands are worth the most to us.
- Strengthen and leverage core competencies in innovation and management of consumer brands, channels and global supply chains.
- Leverage operational flexibility versus more standalone competitors (e.g. defense of golf ball business and repositioning of office products).

□ **Executive compensation is performance driven and two-thirds stock based.**

This contains statements relating to future results, which are forward-looking statements as that term is defined in the Private Securities Litigation Reform Act of 1995. Readers are cautioned that these forward-looking statements speak only as of the date hereof (or as indicated). Actual results may differ materially from those projected as a result of certain risks and uncertainties, including but not limited to changes in general economic conditions, foreign exchange rate fluctuations, changes in interest rates, returns on pension assets, competitive product and pricing pressures, trade consolidations, the impact of excise tax increases with respect to distilled spirits, regulatory developments, the uncertainties of litigation, changes in golf equipment regulatory standards, the impact of weather, particularly on the home products and golf brand groups, expenses and disruptions related to shifts in manufacturing to different locations and sources, changes in commodity costs, the impact of weak conditions in the leisure travel industry on our golf and spirits and wine businesses, as well as other risks and uncertainties detailed from time to time in the Company's Securities and Exchange Commission filings.



NYSE: FO • 625K - 675K Daily Volume • 0.59 BETA • Member S&P 500
151.3mm Diluted, 146.1mm Basic Shares • 65% Institutional

Contact: Tony Diaz, VP-Investor Relations • ajd@fortunebrands.com



Fortune Brands, Inc.
Reconciliation of Underlying Net Sales to GAAP Net Sales

	1996	1997	1997	1998	1998	1999	1999	2000	2000	2001	2001	2002	2002	2003
Underlying Net Sales	\$4,254.9	\$4,408.8	\$4,660.7	\$4,845.7	\$4,947.5	\$5,152.8	\$5,203.7	\$5,517.6	\$5,176.6	\$5,050.6	\$5,059.5	\$5,293.6	\$5,502.5	\$5,775.0
Net impact acqs. & divestitures	18.3	24.1	(234.9)	—	(150.3)	(59.9)	(80.8)	(52.0)	235.0	150.1	(19.9)	53.4	(135.9)	0.6
Impact of foreign exchange rates	—	(7.1)	—	(48.5)	—	(16.9)	—	(84.6)	—	(72.2)	—	19.6	—	136.9
Spirits & Wine excise taxes	444.5	418.7	418.7	443.7	443.7	448.7	401.8	394.8	340.4	344.9	314.7	311.1	311.1	302.0
Interim Absolut sales	—	—	—	—	—	—	—	—	—	205.3	205.3	—	—	—
EITF Restatements	—	—	—	39.2	39.2	(24.1)	(24.1)	(140.4)	(116.6)	(119.1)	—	—	—	—
GAAP Net Sales	\$4,717.7	\$4,844.5	\$4,844.5	\$5,280.1	\$5,280.1	\$5,500.6	\$5,500.6	\$5,635.4	\$5,635.4	\$5,559.6	\$5,559.6	\$5,677.7	\$5,677.7	\$6,214.5
% Change Underlying Sales		3.6%		4.0%		4.1%		6.0%		-2.4%		4.6%		5.0%
% Change GAAP Net Sales		2.7%		9.0%		4.2%		2.5%		-1.3%		2.1%		9.5%

- (1) Underlying Net Sales is a non-GAAP measure and reflects year to year performance of our current businesses. It is equal to net sales excluding changes in foreign currency exchange rates, spirits & wine excise taxes, interim Absolut sales, results from divestitures in both periods, and excludes the adoption of accounting standards (EITF) not effective when the period was publicly reported. It includes the results from acquisitions in the prior period. Management believes that this measure is useful in analyzing the Company's performance from year to year. In assessing this measure, investors should note that the net impact of acquisitions and divestitures, the impact of foreign exchange as well as the impact of excise taxes and interim Absolut sales have been excluded in order to provide an additional measure to investors seeking to evaluate the Company's underlying financial performance from year to year.

Fortune Brands, Inc.
Reconciliation of Underlying Operating Income to GAAP Operating Income

	1996	1997	1997	1998	1998	1999	1999	2000	2000	2001	2001	2002	2002	2003
Underlying Operating Income (O.I.)	\$603.3	\$ 665.7	\$ 676.5	\$728.1	\$727.3	\$ 753.6	\$ 760.9	\$ 840.5	\$ 784.9	\$742.8	\$768.5	\$835.1	\$871.8	\$927.9
Restructuring related items	—	(298.2)	(298.2)	—	—	(196.0)	(196.0)	(73.0)	(73.0)	(98.1)	(98.1)	(55.8)	(55.8)	(33.7)
Net impact acqs. & divestitures	(0.2)	0.9	(14.9)	—	(11.3)	—	(6.8)	—	35.9	23.5	(16.2)	—	(29.4)	—
Impact of foreign exchange rates	—	(5.0)	—	(12.1)	—	0.5	—	(19.7)	—	(12.6)	—	7.3	—	35.3
FAS 142 amortization benefit as of 1/1/96	(91.9)	(92.9)	(92.9)	(96.4)	(96.4)	(73.2)	(73.2)	(66.5)	(66.5)	(49.6)	(49.6)	—	—	—
Writedown of intangibles	—	—	—	—	—	(1,126.0)	(1,126.0)	(502.6)	(502.6)	(73.3)	(73.3)	—	—	(12.0)
EITF 0-09 restatement	—	—	—	—	—	—	—	(0.9)	(0.9)	(1.4)	—	—	—	—
GAAP Operating Income	\$511.2	\$ 270.5	\$ 270.5	\$619.6	\$619.6	\$ (641.1)	\$ (641.1)	\$ 177.8	\$ 177.8	\$531.3	\$531.3	\$786.6	\$786.6	\$917.5
% Change Underlying Operating Income		10.3%		7.6%		3.6%		10.5%		-5.4%		8.7%		6.4%
% Change Net GAAP Operating Income		-47.1%		129.1%		—		—		198.8%		48.1%		16.6%

- (2) Underlying Operating Income is a non-GAAP measure and reflects year to year performance of our current businesses. It is equal to operating income excluding restructuring and restructuring-related items, changes in foreign currency exchange rates, results of divestitures in both periods, and the adoption of accounting standards (EITF 01-09) not effective when the period was publicly reported. It includes results from acquisitions in the prior period. Amortization of intangibles 1996-2002 is based on current intangible values and current FAS 142 goodwill accounting (adopted 1/1/02). Management believes that this measure is useful in analyzing the Company's performance from year to year. In assessing this measure, investors should note that the net impact of restructuring and restructuring-related items, the writedown of intangibles, acquisitions and divestitures, and foreign exchange have been excluded, as well as amortization expense has been restated, in order to provide an additional measure to investors seeking to evaluate the Company's underlying financial performance from year to year.

Fortune Brands, Inc.
Reconciliation of EPS Before Charges/Gains to GAAP EPS

	1996	1997	1997	1998	1998	1999	1999	2000	2000	2001	2001	2002	2002	2003
Diluted EPS Before														
Charges/Gains	\$ 1.28	\$ 1.48	\$ 1.48	\$ 1.67	\$1.67	\$ 1.99	\$ 1.99	\$ 2.29	\$ 2.29	\$ 2.41	\$ 2.41	\$ 2.88	\$ 3.19	\$ 3.79
Tax-related special items	—	—	—	—	—	—	—	0.19	0.19	0.78	0.78	0.46	0.46	0.28
Restructuring-related items	—	(1.16)	(1.16)	—	—	(0.75)	(0.75)	(0.30)	(0.30)	(0.41)	(0.41)	(0.24)	(0.24)	(0.16)
Gain/(loss) on divestitures	—	—	—	—	—	0.13	0.13	—	—	0.14	0.14	—	—	—
Writedown of intangibles	—	—	—	—	—	(6.76)	(6.76)	(3.09)	(3.09)	(0.43)	(0.43)	—	—	(0.05)
Benefit from FAS 142 (1/1/02)	—	—	—	—	—	—	—	—	—	—	—	0.31	—	—
Impact of dilutive shares	—	—	—	—	—	0.04	0.04	0.03	0.03	—	—	—	—	—
1/96 benefit Gallaher payment	(0.25)	(0.09)	(0.09)	—	—	—	—	—	—	—	—	—	—	—
Diluted GAAP EPS	\$ 1.03	\$ 0.23	\$ 0.23	\$ 1.67	\$1.67	(\$5.35)	(\$5.35)	(\$0.88)	(\$0.88)	\$ 2.49	\$ 2.49	\$ 3.41	\$ 3.41	\$ 3.86
%Change EPS Before														
Charges/Gains		15.6%		12.8%		19.2%		15.1%		5.2%		19.5%		18.8%
%Change GAAP Diluted EPS		-77.7%		626.1%		—		—		—		36.9%		13.2%

- (3) Diluted EPS Before Charges and Gains is a non-GAAP measure and indicates the underlying performance of our businesses prior to costs associated with our restructuring initiatives, writedowns of intangibles or goodwill, tax credits or charges, gains or losses on divestitures, and assuming a 1/1/96 benefit from the net cash payment Gallaher made to us in connection with its spin-off on 5/31/97. Management believes that this measure is useful in analyzing the Company's performance from year to year. In assessing this measure, investors should note that the net impact of tax-related special items, restructuring and restructuring-related items, gains/losses on the sale of certain operations, writedowns of identifiable intangibles and goodwill, and the interim period benefit from the net cash payment received from Gallaher Group Plc have been excluded.

Fortune Brands, Inc.
Reconciliation of Return On Invested Capital (ROIC) Before Charges/Gains to GAAP ROIC

	1997	1998	1999	2000	2001	2002	2003
ROIC Before Charges/Gains	11.6%	10.7%	11.9%	12.3%	13.3%	16.0%	16.5%
Adjusted Net Income before after-tax interest	\$ 466.6	\$ 424.8	\$ 480.8	\$ 517.8	\$ 484.6	\$ 537.7	\$ 616.2
Net (charge)/gain	(201.0)	—	(1,230.3)	(503.9)	12.6	35.0	95
FAS 142 amortization benefit as of 1/1/96	(92.9)	(96.4)	(73.2)	(66.5)	(49.6)	—	—
GAAP Net Income before after-tax interest	\$ 172.7	\$ 328.4	(\$822.7)	(\$52.6)	\$ 447.6	\$ 572.7	\$ 625.7
Adjusted Invested Capital	\$4,024.6	\$3,965.1	\$ 4,049.1	\$4,201.6	\$3,642.6	\$3,365.3	\$3,740.8
Cumulative net (charge)/gain	1,521.8	1,450.6	756.9	379.2	5.1	71.2	26.0
GAAP Invested Capital	\$5,546.4	\$5,415.7	\$ 4,806.0	\$4,580.8	\$3,647.7	\$3,436.5	\$3,766.8
GAAP ROIC	3.1%	6.1%	-17.1%	-1.1%	12.3%	16.7%	16.6%

- (4) Return On Invested Capital (ROIC) represents the sum of net income before charges and gains plus after-tax interest divided by the 13-point average of the sum of total debt less cash plus total stockholders equity. The impact of improved returns attributable to current FAS 142 goodwill accounting and the writedowns of intangibles have been excluded by restating invested capital and net income as they would appear if current FAS 142 accounting had gone into effect and the writedowns had occurred on 1/1/96. Management believes that this measure is useful in analyzing the Company's performance from year to year. In assessing this measure, investors should note that Net Income excludes after-tax interest, the net impact of tax-related special items, restructuring and restructuring-related items, gains/losses on the sale of certain operations and writedowns of intangibles, and amortization expense has been restated to reflect current FAS 142 accounting (adopted 1/1/02) and intangible values. For further details on charges and gains, see the GAAP reconciliation of EPS Before Charges/Gains.

Fortune Brands, Inc.
Reconciliation of ROE Before Charges/Gains to GAAP ROE

	1997	1998	1999	2000	2001	2002	2003
ROE Before Charges/Gains	15.3%	15.0%	17.4%	20.1%	20.2%	22.5%	23.5%
Adjusted Net Income	\$ 334.3	\$ 389.0	\$ 412.1	\$ 431.9	\$ 422.2	\$ 489.8	\$ 568.6
Net (charge)/gain	(144.0)	(30.5)	(1,230.4)	(504.0)	12.6	35.0	9.5
FAS 142 amortization benefit as of 1/1/96	(92.9)	(96.4)	(73.2)	(66.5)	(49.6)	—	—
GAAP Net Income after preferred dividends	\$ 97.4	\$ 262.1	\$ (891.5)	\$ (138.6)	\$ 385.2	\$ 524.8	\$ 578.1
Adjusted Equity	\$2,185.5	\$2,601.1	\$ 2,366.6	\$2,151.2	\$2,087.8	\$2,180.2	\$2,416.9
Cumulative net (charge)/gain	1,730.7	1,438.8	755.5	395.2	18.8	84.7	26.0
GAAP Equity	\$3,916.2	\$4,039.9	\$ 3,122.1	\$2,546.4	\$2,106.6	\$2,264.8	\$2,442.9
GAAP ROE	2.5%	6.5%	-28.6%	-5.4%	18.3%	23.2%	23.7%

- (5) Return on Equity (ROE) represents the sum of net income before charges and gains divided by the 13-point average of the sum of equity. The impact of improved returns attributable to current FAS 142 goodwill accounting and writedowns of intangibles have been excluded by restating equity and net income as they would appear if current FAS 142 accounting had gone into effect and the writedowns had occurred on 1/1/96. Management believes that this measure is useful in analyzing the Company's performance from year to year. In assessing this measure, investors should note that Net Income excludes the net impact of tax-related special items, restructuring and restructuring-related items, gains/losses on the sale of certain operations and writedowns of intangibles, and amortization expense has been restated to reflect current FAS 142 accounting (adopted 1/1/02) and intangible values. For further details on charges and gains, see the GAAP reconciliation of EPS Before Charges/Gains.

Fortune Brands, Inc.
Reconciliation of Free Cash Flow to GAAP Cash Flow Provided By Operating Activities

	1997	1998	1999	2000	2001	2002	2003
Free Cash Flow (after dividends)	\$ 95.8	\$ 11.4	\$121.5	\$112.5	\$286.7	\$447.2	\$441.9
Net capital expenditures (net of proceeds)	191.4	245.4	217.3	212.2	204.0	186.4	181.9
Dividends Paid to Stockholders	139.1*	147.4	149.6	147.7	148.0	153.4	166.9
GAAP Cash Flow Provided by Operating Activities	\$426.3	\$404.2	\$488.4	\$472.4	\$638.7	\$787.0	\$790.7

- (6) Free cash flow indicates the resources of our current business to invest in internal growth, make acquisitions, repay debt and repurchase stock. Management believes that this measure is useful in analyzing the Company's performance from year to year.

* Pro forma for interim period spin-off Gallaher Group Plc (5/30/97), utilizing Fortune Brands' 80¢ indicated annual rate for American Brands' 1997 dividend payments (results in a \$104.3mm deduction to the \$243.4mm GAAP figure).

- (7) "Return on Net Tangible Assets" is a measure of operating returns. It represents after-tax (36.3% rate) GAAP Operating Income divided by a 12 month average of GAAP assets less intangibles, accounts payable and other non-interest bearing liabilities.

- (8) Excludes benefit of lower goodwill expense (FAS 142).

- (9) Based on indicated annual rate at end of period.

- (10) 1996 pro forma for '97 Gallaher spin-off as if done 1/1/96.

- (11) GAAP diluted EPS compound growth rates 96-03: Fortune Brands, 21%; S&P 500, 3%. Fortune Brands' 17% EPS growth rate before charges/gains benefited 3% points from lower goodwill expense, including from FAS 142. S&P 500's goodwill benefit over period is not available. Standard & Poors is source for S&P 500 data.

- (12) While the Company currently expects net charges in the range of \$0.15-0.17 per share in 2004 versus a net gain of \$0.07 per share from charges/gains in 2003, favorable resolution of the routine audit of the Company's 1997-2001 tax returns could result in a further benefit to earnings in 2004.

- (13) All brand sales are based on full year '03 sales rounded to nearest \$50mm (Therma-Tru acquired 11/03).