

**FORTUNE BRANDS HOME & SECURITY, INC.**  
**RECONCILIATION OF OPERATING INCOME BEFORE CHARGES/GAINS TO GAAP OPERATING INCOME**

(In millions)

(Unaudited)

	For the three months ended			
	June 30, 2019	June 30, 2018	\$ change	% change
<b>CABINETS</b>				
<b>Operating income before charges/gains</b> <sup>(a)</sup>	\$ 67.3	\$ 81.2	\$ (13.9)	(17)
Restructuring charges <sup>(b)</sup>	(1.2)	(7.3)	6.1	84
Other charges <sup>(b)</sup>				
Cost of products sold	(0.1)	(4.5)	4.4	98
Selling, general and administrative expenses	(0.3)	-	(0.3)	(100)
<b>Operating income (GAAP)</b>	<b>\$ 65.7</b>	<b>\$ 69.4</b>	<b>\$ (3.7)</b>	<b>(5)</b>
<b>PLUMBING</b>				
<b>Operating income before charges/gains</b> <sup>(a)</sup>	\$ 114.5	\$ 101.3	\$ 13.2	13
Restructuring charges <sup>(b)</sup>	(3.2)	(1.7)	(1.5)	(88)
Other charges <sup>(b)</sup>				
Cost of products sold	(2.1)	(1.7)	(0.4)	(24)
Selling, general and administrative expenses	(2.5)	(2.6)	0.1	4
<b>Operating income (GAAP)</b>	<b>\$ 106.7</b>	<b>\$ 95.3</b>	<b>\$ 11.4</b>	<b>12</b>
<b>DOORS &amp; SECURITY</b> <sup>(g)</sup>				
<b>Operating income before charges/gains</b> <sup>(a)</sup>	\$ 50.2	\$ 48.0	\$ 2.2	5
Restructuring charges <sup>(b)</sup>	(0.1)	(1.8)	1.7	94
Other charges <sup>(b)</sup>				
Cost of products sold	(0.1)	(1.9)	1.8	95
Selling, general and administrative expenses	-	1.0	(1.0)	(100)
<b>Operating income (GAAP)</b>	<b>\$ 50.0</b>	<b>\$ 45.3</b>	<b>\$ 4.7</b>	<b>10</b>
<b>CORPORATE</b>				
<b>General and administrative expense before charges/gains</b>	\$ (20.0)	\$ (21.3)	\$ 1.3	6
Other charges <sup>(b)</sup>				
Selling, general and administrative expenses	-	(0.1)	0.1	100
<b>Total Corporate expense (GAAP)</b>	<b>\$ (20.0)</b>	<b>\$ (21.4)</b>	<b>\$ 1.4</b>	<b>7</b>
<b>FORTUNE BRANDS HOME &amp; SECURITY</b>				
<b>Operating income before charges/gains</b> <sup>(a)</sup>	\$ 212.0	\$ 209.2	\$ 2.8	1
Restructuring charges <sup>(b)</sup>	(4.5)	(10.8)	6.3	58
Other charges <sup>(b)</sup>				
Cost of products sold	(2.3)	(8.1)	5.8	72
Selling, general and administrative expenses	(2.8)	(1.7)	(1.1)	(65)
<b>Operating income (GAAP)</b>	<b>\$ 202.4</b>	<b>\$ 188.6</b>	<b>\$ 13.8</b>	<b>7</b>

(a) (b) For definitions of Non-GAAP measures, see Definitions of Terms page

(g) For definitions of GAAP measures, see Definitions of Terms page

**FORTUNE BRANDS HOME & SECURITY, INC.**  
**RECONCILIATION OF DILUTED EPS BEFORE CHARGES/GAINS TO GAAP DILUTED EPS**  
*(Unaudited)*

For the three months ended June 30, 2019, diluted EPS before charges/gains is net income from continuing operations, net of tax less noncontrolling interests calculated on a diluted per-share basis excluding \$9.6 million (\$7.5 million after tax or \$0.06 per diluted share) of restructuring and other charges and a tax item of \$0.1 million.

For the three months ended June 30, 2018, diluted EPS before charges/gains is net income from continuing operations, net of tax less noncontrolling interests calculated on a diluted per-share basis excluding \$20.6 million (\$16.3 million after tax or \$0.11 per diluted share) of restructuring and other charges and a tax expense associated with the 2017 sale of a product line of \$0.7 million (\$0.01 per diluted share).

**Earnings Per Common Share - Diluted**

Diluted EPS Before Charges/Gains - Continuing Operations <sup>(c)</sup>

Restructuring and other charges

Tax items

Diluted EPS - Continuing Operations

Three Months Ended June 30,		
2019	2018	% Change
\$ 1.03	\$ 1.00	3
(0.06)	(0.11)	46
-	(0.01)	100
\$ 0.97	\$ 0.88	10

**RECONCILIATION OF FULL YEAR 2019 EARNINGS GUIDANCE TO GAAP**

The Company is targeting diluted EPS before charges/gains from continuing operations to be in the range of \$3.53 to \$3.67 per share. For the full year, on a GAAP basis, the Company is targeting diluted EPS from continuing operations to be in the range of \$3.43 to \$3.57 per share and including the full year impact of previously announced restructuring actions. Reconciliation of non-GAAP diluted EPS guidance to GAAP diluted EPS guidance cannot be provided without unreasonable efforts on a forward-looking basis due to the high variability and low visibility with respect to gains and losses associated with our defined benefit plans and restructuring and other charges, which are excluded from the diluted EPS before charges/gains. In addition, the Company's GAAP EPS range assumes the Company incurs no gains or losses associated with its defined benefit plans during 2019.

(c) For definitions of Non-GAAP measures, see Definitions of Terms page

**FORTUNE BRANDS HOME & SECURITY, INC.**  
**BEFORE CHARGES/GAINS OPERATING MARGIN TO OPERATING MARGIN**  
*(Unaudited)*

Three Months Ended June 30,		
2019	2018	Change

**CABINETS**

**Before Charges/Gains Operating Margin**

Restructuring & Other Charges

**Operating Margin**

10.6%	12.7%	(210) bps
(0.3%)	(1.8%)	
10.3%	10.9%	(60) bps

**PLUMBING**

**Before Charges/Gains Operating Margin**

Restructuring & Other Charges

**Operating Margin**

22.6%	20.9%	170 bps
(1.5%)	(1.2%)	
21.1%	19.7%	140 bps

**DOORS & SECURITY**

**Before Charges/Gains Operating Margin**

Restructuring & Other Charges

**Operating Margin**

13.7%	15.6%	(190) bps
-	(0.9%)	
13.7%	14.7%	(100) bps

**Total Company**

**Before Charges/Gains Operating Margin**

Restructuring & Other Charges

**Operating Margin**

14.1%	14.6%	(50) bps
(0.7%)	(1.4%)	
13.4%	13.2%	20 bps

Operating margin is calculated as operating income derived in accordance with GAAP divided by GAAP Net Sales. Before charges/gains operating margin is operating income derived in accordance with GAAP excluding restructuring and other charges, divided by GAAP net sales. Before charges/gains operating margin is a measure not derived in accordance with GAAP. Management uses this measure to evaluate the returns generated by FBHS and its business segments. Management believes this measure provides investors with helpful supplemental information regarding the underlying performance of the Company from period to period. This measure may be inconsistent with similar measures presented by other companies.

# FORTUNE BRANDS HOME & SECURITY, INC.

(In millions)

(Unaudited)

## CALCULATION OF NET DEBT-TO-EBITDA BEFORE CHARGES/GAINS RATIO

### As of June 30, 2019

Short-term debt *	749.3
Long-term debt *	1,666.0
Total debt	2,415.3
Less:	
Cash and cash equivalents *	276.3
Net debt (1)	2,139.0

### For the twelve months ended June 30, 2019

EBITDA before charges/gains (2) <sup>(d)</sup>	892.1
--	-------

<b>Net debt-to-EBITDA before charges/gains ratio (1/2)</b>	<b>2.4</b>
--	------------

\* Amounts are per the unaudited Condensed Consolidated Balance Sheet as of June 30, 2019.

	Six Months Ended December 31, 2018	Six Months Ended June 30, 2019	Twelve Months Ended June 30, 2019
<b>EBITDA BEFORE CHARGES/GAINS <sup>(d)</sup></b>	\$ 462.0	\$ 430.1	\$ 892.1
Depreciation**	\$ (57.1)	\$ (54.1)	\$ (111.2)
Amortization of intangible assets	(19.7)	(20.1)	(39.8)
Restructuring and other charges	(28.7)	(16.0)	(44.7)
Interest expense	(42.4)	(48.2)	(90.6)
Asset impairment charges <sup>(e)</sup>	(62.6)	-	(62.6)
Change in inventory costing method <sup>(f)</sup>	7.3	-	7.3
Defined benefit plan actuarial losses	(3.9)	-	(3.9)
Income taxes	(69.7)	(70.1)	(139.8)
<b>Income from continuing operations, net of tax</b>	<b>\$ 185.2</b>	<b>\$ 221.6</b>	<b>\$ 406.8</b>

\*\* Depreciation excludes accelerated depreciation of (\$6.2) million for the six months ended December 31, 2018 and (\$1.9) million for the six months ended June 30, 2019. Accelerated depreciation is included in restructuring and other charges.

(d) (e) (f) For definitions of Non-GAAP measures, see Definitions of Terms page

**FORTUNE BRANDS HOME & SECURITY, INC.**  
**FREE CASH FLOW GUIDANCE TO GAAP CASH FLOW FROM OPERATIONS**

*(In millions)*

*(Unaudited)*

**Free Cash Flow\***

Add:

Capital Expenditures

Less:

Proceeds from the sale of assets

Proceeds from the exercise of stock options

**Cash Flow From Operations (GAAP)**

<b>Twelve Months Ended December 31, 2019</b>	
\$	480.0 - 500.0
	150.0 - 167.0
	4.1
	8.0 - 10.0
\$	617.9 - 652.9

\* Free cash flow is cash flow from operations calculated in accordance with U.S. generally accepted accounting principles ("GAAP") less net capital expenditures (capital expenditures less proceeds from the sale of assets including property, plant and equipment, and the proceeds from the exercise of stock options). Free cash flow does not include adjustments for certain non-discretionary cash flows such as mandatory debt repayments. Free cash flow is a measure not derived in accordance with GAAP. Management believes that free cash flow provides investors with helpful supplemental information about the Company's ability to fund internal growth, make acquisitions, repay debt and related interest, pay dividends and repurchase common stock. This measure may be inconsistent with similar measures presented by other companies.

**FORTUNE BRANDS HOME & SECURITY, INC.  
RECONCILIATION OF PERCENTAGE CHANGE IN NET SALES EXCLUDING FIBERON NET SALES TO  
PERCENTAGE CHANGE IN NET SALES (GAAP)  
(Unaudited)**

**DOORS & SECURITY**

**Percentage change in Net Sales excluding Fiberon Net Sales**

Fiberon Net Sales

**Percentage change in Net Sales (GAAP)**

<b>Three months ended June 30, 2019</b>
<b>% change</b>

(0%)
19%
<b>19%</b>

Net sales excluding Fiberon net sales is Doors & Security net sales derived in accordance with GAAP excluding Fiberon net sales. Management uses this measure to evaluate the overall performance of the Total Company and the Doors & Security segment and believes this measure provides investors with helpful supplemental information regarding the underlying performance of the segment from period to period. This measure may be inconsistent with similar measures presented by other companies.

**FORTUNE BRANDS HOME & SECURITY, INC.  
RECONCILIATION OF PERCENTAGE CHANGE IN NET SALES EXCLUDING FX IMPACT TO PERCENTAGE  
CHANGE IN NET SALES (GAAP)  
(Unaudited)**

**PLUMBING**

**Percentage change in Net Sales excluding FX impact**

FX impact

**Percentage change in Net Sales (GAAP)**

<b>Three months ended June 30, 2019</b>
<b>% change</b>

6%
(1%)
<b>5%</b>

**TOTAL COMPANY**

**Percentage change in Net Sales excluding FX impact**

FX Impact

**Percentage change in Net Sales (GAAP)**

6%
(1%)
<b>5%</b>

Net sales excluding FX impact is the Total Company net sales and Plumbing net sales derived in accordance with GAAP excluding the impact of FX on net sales. Management uses this measure to evaluate the overall performance of the Total Company and the Plumbing segment and believes this measure provides investors with helpful supplemental information regarding the underlying performance of the segment from period to period. This measure may be inconsistent with similar measures presented by other companies.

**FORTUNE BRANDS HOME & SECURITY, INC.**

**RECONCILIATION OF PERCENTAGE CHANGE IN TOTAL COMPANY NET SALES EXCLUDING CANADA NET SALES TO PERCENTAGE CHANGE IN NET SALES (GAAP)**

*(Unaudited)*

**TOTAL COMPANY**

**Percentage change in Net Sales excluding Canada Net Sales**

Canada Net Sales

**Percentage change in Net Sales (GAAP)**

Three months ended June 30, 2019	
% change	
	7%
	(2%)
	5%

Total Company net sales excluding Canada net sales is Total Company net sales derived in accordance with GAAP excluding Canada net sales. Management uses this measure to evaluate the overall performance of the Company and believes this measure provides investors with helpful supplemental information regarding the underlying performance of the segment from period to period. This measure may be inconsistent with similar measures presented by other companies.

**FORTUNE BRANDS HOME & SECURITY, INC.**

**RECONCILIATION OF PERCENTAGE CHANGE IN TOTAL COMPANY NET SALES EXCLUDING FIBERON NET SALES TO PERCENTAGE CHANGE IN NET SALES (GAAP)**

*(Unaudited)*

**TOTAL COMPANY**

**Percentage change in Net Sales excluding Fiberon Net Sales**

Fiberon Net Sales

**Percentage change in Net Sales (GAAP)**

Three months ended June 30, 2019	
% change	
	1%
	4%
	5%

Total Company net sales excluding Fiberon net sales is Total Company net sales derived in accordance with GAAP excluding Fiberon net sales. Management uses this measure to evaluate the overall performance of the Company and believes this measure provides investors with helpful supplemental information regarding the underlying performance of the segment from period to period. This measure may be inconsistent with similar measures presented by other companies.

**FORTUNE BRANDS HOME & SECURITY, INC.**

**RECONCILIATION OF PERCENTAGE CHANGE IN PLUMBING NET SALES EXCLUDING GPG ACQUISITIONS TO PERCENTAGE CHANGE IN NET SALES (GAAP)**

*(Unaudited)*

Three months ended June 30, 2018
% change

**PLUMBING**

**Percentage change in Net Sales excluding acquisitions (organic)**

Acquisitions Net Sales

**Percentage change in Net Sales (GAAP)**

9%
2%
11%

Plumbing net sales excluding acquisitions is net sales derived in accordance with GAAP excluding Shaws and Victoria + Albert net sales. Management uses this measure to evaluate the overall performance of the Plumbing segment and believes this measure provides investors with helpful supplemental information regarding the underlying performance of the segment from period to period. This measure may be inconsistent with similar measures presented by other companies.



**FORTUNE BRANDS HOME & SECURITY, INC.**

**RECONCILIATION OF FULL YEAR 2019 GUIDANCE DILUTED EPS BEFORE CHARGES/GAINS TO GAAP DILUTED EPS**

*(Unaudited)*

	For the twelve months ended		
	December 31, 2019	December 31, 2018	% change
<b>Diluted EPS before charges/gains - full year range</b>	<b>\$ 3.53 - 3.67</b>	<b>\$ 3.34</b>	<b>6 - 10</b>
Diluted EPS Before Charges/Gains - Continuing Operations <sup>(c)</sup>	\$ 3.60	\$ 3.34	8
Restructuring and other charges	(0.10)	(0.30)	
Asset impairment charges <sup>(e)</sup>	-	(0.35)	
Change in inventory costing method <sup>(f)</sup>	-	0.04	
Defined benefit plan actuarial losses	-	(0.02)	
Tax items	-	(0.05)	
Diluted EPS - Continuing Operations	\$ 3.50	\$ 2.66	32
Diluted EPS - Continuing Operations - full year range	\$ 3.43 - 3.57	\$ 2.66	29 - 34

The Company is targeting diluted EPS before charges/gains from continuing operations to be in the range of \$3.53 to \$3.67 per share. For the full year, on a GAAP basis, the Company is targeting diluted EPS from continuing operations to be in the range of \$3.43 to \$3.57 per share and including the full year impact of previously announced restructuring actions. Reconciliation of non-GAAP diluted EPS guidance to GAAP diluted EPS guidance cannot be provided without unreasonable efforts on a forward-looking basis due to the high variability and low visibility with respect to gains and losses associated with our defined benefit plans and restructuring and other charges, which are excluded from the diluted EPS before charges/gains. In addition, the Company's GAAP EPS range assumes the Company incurs no gains or losses associated with its defined benefit plans during 2019.

For the twelve months ended December 31, 2018, diluted EPS before charges/gains is net income from continuing operations, net of tax less noncontrolling interests calculated on a diluted per-share basis excluding \$54.2 million (\$43.3 million after tax or \$0.30 per diluted share) of restructuring and other charges, asset impairment charges of \$62.6 million (\$50.8 million after tax or \$0.35 per diluted share), a benefit from an inventory costing change of \$7.3 million (\$5.5 million after tax or \$0.04 per diluted share), a net tax charge principally related to an update to the estimated impact from the Tax Cuts and Jobs Act of 2017 (\$7.2 million or \$0.05 per diluted share) and the impact from actuarial losses associated with our defined benefit plans of \$3.9 million (\$2.9 million after tax or \$0.02 per diluted share).

(c) (e) (f) For definitions of Non-GAAP measures, see Definitions of Terms page

#### **Definitions of Terms: Non-GAAP Measures**

(a) Operating income before charges/gains is operating income derived in accordance with GAAP excluding restructuring and other charges. Operating income before charges/gains is a measure not derived in accordance with GAAP. Management uses this measure to evaluate the returns generated by FBHS and its business segments. Management believes this measure provides investors with helpful supplemental information regarding the underlying performance of the Company from period to period. This measure may be inconsistent with similar measures presented by other companies.

(b) Restructuring charges are costs incurred to implement significant cost reduction initiatives and include workforce reduction costs. "Other charges" represent charges or gains directly related to restructuring initiatives that cannot be reported as restructuring under GAAP. Such costs may include losses on disposal of inventories, trade receivables allowances from exiting product lines, impairments related to previously closed facilities and the losses on the sale of closed facilities totaling \$5.1 million for the three months ended June 30, 2019 and \$5.5 million for the three months ended June 30, 2018.

In our Plumbing segment, other charges also includes an acquisition-related inventory step-up expense classified in cost of products sold of \$1.7 million for the three months ended June 30, 2018, and compensation expense classified in selling, general and administrative expense of \$2.5 million related to deferred purchase price consideration payable to certain former Victoria + Albert shareholders contingent on their employment through October 2018. In Corporate, other charges include \$0.1 million for the three months ended June 30, 2018 of expense associated with our assessment of the impact on the Company from the Tax Cuts and Jobs Act of 2017.

(c) Diluted EPS before charges/gains for the three months ended June 30, 2019 and 2018 is income from continuing operations, net of tax, less noncontrolling interests calculated on a diluted per-share basis excluding restructuring and other charges and tax items. In addition, for the twelve months ended December 31, 2018 diluted EPS before charges/gains excludes asset impairment charges, a change in inventory costing method, tax items and gains or losses associated with our defined benefit plans. Diluted EPS before charges/gains is a measure not derived in accordance with GAAP. Management uses this measure to evaluate the overall performance of the Company and believes this measure provides investors with helpful supplemental information regarding the underlying performance of the Company from period to period. This measure may be inconsistent with similar measures presented by other companies.

(d) EBITDA before charges/gains is income from continuing operations, net of tax, derived in accordance with GAAP excluding restructuring and other charges, depreciation, asset impairments, a benefit from an inventory costing change, gains or losses associated with our defined benefit plans, amortization of intangible assets, interest expense, and income taxes. EBITDA before charges/gains is a measure not derived in accordance with GAAP. Management uses this measure to assess returns generated by FBHS. Management believes this measure provides investors with helpful supplemental information about the Company's ability to fund internal growth, make acquisitions and repay debt and related interest. This measure may be inconsistent with similar measures presented by other companies.

(e) Asset impairment charges for the twelve months ended December 31, 2018 represent pre-tax impairment charges of \$62.6 million related to two indefinite-lived tradenames within our Cabinets segment.

(f) During the fourth quarter of 2018, we determined that it was preferable to change our accounting policy for product groups in which metals inventory comprise a significant portion of inventories from last-in, first-out ("LIFO") to first-in, first-out ("FIFO"). As a result, we recorded a pre-tax benefit of \$7.3 million within cost of products sold during the three months ended December 31, 2018.

#### **Definitions of Terms: GAAP Measures**

(g) As previously announced, we combined our Doors and Security segments into a new reportable segment 'Doors & Security'. Reporting for the new Doors & Security segment began in the third quarter of 2018 and historical financial segment information has been restated to conform to the new segment presentation.