FORTUNE BRANDS HOME & SECURITY, INC.
RECONCILIATION OF OPERATING INCOME BEFORE CHARGES/GAINS TO GAAP OPERATING INCOME
(In millions)
(Unaudited)

	For the three months ended			
	September 30, 2019	September 30, 2018	$ change	% change
CABINETS				
Operating income before charges/gains [(a)]	$ 58.8	$ 64.6	$ (5.8)	(9)
Restructuring charges [(b)]	(3.8)	(3.4)	(0.4)	(12)
Other charges [(b)]				
Cost of products sold	(0.1)	(5.2)	5.1	98
Selling, general and administrative expenses	(0.3)	(0.2)	(0.1)	(50)
Asset impairment charge [(e)]	(29.5)	(27.1)	(2.4)	(9)
Operating income (GAAP)	$ 25.1	$ 28.7	$ (1.2)	(13)
PLUMBING				
Operating income before charges/gains [(a)]	$ 112.0	$ 93.5	$ 18.5	20
Restructuring charges [(b)]	(0.2)	(0.1)	(0.1)	(100)
Other charges [(b)]				
Cost of products sold	0.3	(1.6)	1.9	119
Selling, general and administrative expenses	(0.1)	(2.4)	2.3	96
Operating income (GAAP)	$ 112.0	$ 89.4	$ 22.6	25
DOORS & SECURITY				
Operating income before charges/gains [(a)]	$ 51.6	$ 51.5	$ 0.1	-
Restructuring charges [(b)]	(1.5)	(2.2)	0.7	32
Other charges [(b)]				
Cost of products sold	-	(1.4)	1.4	100
Selling, general and administrative expenses	-	0.3	(0.3)	(100)
Operating income (GAAP)	$ 50.1	$ 48.2	$ 1.9	4
CORPORATE				
General and administrative expense before charges/gains	$ (19.2)	$ (19.0)	$ (0.2)	(1)
Other charges [(b)]				
Selling, general and administrative expenses	-	(0.2)	0.2	100
Total Corporate expense (GAAP)	$ (19.2)	$ (19.2)	$ -	-
FORTUNE BRANDS HOME & SECURITY				
Operating income before charges/gains [(a)]	$ 203.2	$ 190.6	$ 12.6	7
Restructuring charges [(b)]	(5.5)	(5.7)	0.2	4
Other charges [(b)]				
Cost of products sold	0.2	(8.2)	8.4	102
Selling, general and administrative expenses	(0.4)	(2.5)	2.1	84
Asset impairment charge [(e)]	(29.5)	(27.1)	(2.4)	(9)
Operating income (GAAP)	$ 168.0	$ 147.1	$ 20.9	14

(a) (b) (e) 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 September 30,		
	2019	**2018**	**Change**
CABINETS			
Before Charges/Gains Operating Margin	10.0%	10.8%	(80) bps
Restructuring & Other Charges	(0.7%)	(1.5%)	
Asset Impairment Charges	(5.0%)	(4.5%)	
Operating Margin	4.3%	4.8%	(50) bps
PLUMBING			
Before Charges/Gains Operating Margin	21.8%	20.3%	150 bps
Restructuring & Other Charges	-	(0.9%)	
Operating Margin	21.8%	19.4%	240 bps
DOORS & SECURITY			
Before Charges/Gains Operating Margin	14.5%	16.1%	(160) bps
Restructuring & Other Charges	(0.4%)	(1.1%)	
Operating Margin	14.1%	15.0%	(90) bps
Total Company			
Before Charges/Gains Operating Margin	13.9%	13.8%	10 bps
Restructuring & Other Charges	(0.4%)	(1.2%)	
Asset Impairment charges	(2.0%)	(1.9%)	
Operating Margin	11.5%	10.7%	80 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 and asset impairments 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.

DILUTED EPS BEFORE CHARGES/GAINS RECONCILIATION

For the three months ended September 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 $5.7 million ($4.4 million after tax or $0.03 per diluted share) of restructuring and other charges, an asset impairment charge of $29.5 million ($22.5 million after tax or $0.16 per diluted share), the impact from actuarial losses associated with our defined benefit plans of $2.1 million ($1.6 million after tax or $0.01 per diluted share) and a tax benefit of $0.2 million.

For the three months ended September 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 $16.9 million ($13.5 million after tax or $0.09 per diluted share) of restructuring and other charges, an asset impairment charge of $27.1 million ($23.7 million after tax or $0.17 per diluted share), a net tax benefit related to an update to the estimated impact of the Tax Cuts and Jobs Act of 2017 of $2.9 million ($0.02 per diluted share) and the impact from actuarial losses associated with our defined benefit plans of $0.3 million ($0.2 million after tax).

	Three Months Ended September 30,		
	2019	2018	% Change
Earnings Per Common Share - Diluted			
Diluted EPS Before Charges/Gains - Continuing Operations [c]	$ 0.95	$ 0.93	2
Restructuring and other charges	(0.03)	(0.09)	67
Asset impairment charges [e]	(0.16)	(0.17)	6
Defined benefit plan actuarial losses	(0.01)	-	-
Tax items	-	0.02	(100)
Diluted EPS - Continuing Operations	$ 0.75	$ 0.69	9

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 $3.63 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 $3.24 to $3.34 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) (e) For definitions of Non-GAAP measures, see Definitions of Terms page

FORTUNE BRANDS HOME & SECURITY, INC.

(In millions)
(Unaudited)

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

As of September 30, 2019	
Short-term debt *	399.5
Long-term debt *	1,949.0
Total debt	2,348.5
Less:	
Cash and cash equivalents *	336.2
Net debt (1)	2,012.2
For the twelve months ended September 30, 2019	
EBITDA before charges/gains (2) [(d)]	898.3
Net debt-to-EBITDA before charges/gains ratio (1/2)	2.2

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

	Three Months Ended December 31, 2018	Nine Months Ended September 30, 2019	Twelve Months Ended September 30, 2019
EBITDA BEFORE CHARGES/GAINS [(d)]	$ 226.0	$ 672.3	$ 898.3
Depreciation**	$ (31.0)	$ (80.8)	$ (111.8)
Amortization of intangible assets	(10.8)	(30.0)	(40.8)
Restructuring and other charges	(11.8)	(21.7)	(33.5)
Interest expense	(23.4)	(71.8)	(95.2)
Asset impairment charges [(e)]	(35.5)	(29.5)	(65.0)
Change in inventory costing method [(f)]	7.3	-	7.3
Defined benefit plan actuarial losses	(3.6)	(2.1)	(5.7)
Income taxes	(31.9)	(109.1)	(141.0)
Income from continuing operations, net of tax	$ 85.3	$ 327.3	$ 412.6

** Depreciation excludes accelerated depreciation of $1.1 million for the three months ended December 31, 2018 and $1.9 million for the nine months ended September 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.

(In millions)
(Unaudited)

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

As of December 31, 2018	
Short-term debt *	525.0
Long-term debt *	1,809.0
Total debt	2,334.0
Less:	
Cash and cash equivalents *	262.9
Net debt (1)	2,071.1
For the twelve months ended December 31, 2018	
EBITDA before charges/gains (2) [d]	868.3
Net debt-to-EBITDA before charges/gains ratio (1/2)	2.4

* Amounts are per the unaudited Condensed Consolidated Balance Sheet as of December 31, 2018.

	Twelve Months Ended December 31, 2018
EBITDA BEFORE CHARGES/GAINS [d]	$ 868.3
Depreciation**	$ (107.3)
Amortization of intangible assets	(36.1)
Restructuring and other charges	(54.2)
Interest expense	(74.5)
Asset impairment charges [e]	(62.6)
Change in inventory costing method [f]	7.3
Defined benefit plan actuarial losses	(3.9)
Income taxes	(147.0)
Income from continuing operations, net of tax	$ 390.0

** Depreciation excludes accelerated depreciation of $6.2 million for the twelve months ended December 31, 2018. 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)

	Twelve Months Ended December 31, 2019
Free Cash Flow*	$ 480.0 - 500.0
Add:	
Capital Expenditures	140.0 - 150.0
Less:	
Proceeds from the sale of assets	4.2
Proceeds from the exercise of stock options	8.0 - 10.0
Cash Flow From Operations (GAAP)	$ 607.8 - 635.8

* 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 FX AND HURRICANE IMPACT TO PERCENTAGE CHANGE IN NET SALES (GAAP)

(Unaudited)

	Three months ended September 30, 2019
	% change
PLUMBING	
Percentage change in Net Sales excluding FX impact	**12%**
FX impact	(1%)
Percentage change in Net Sales (GAAP)	**11%**
PLUMBING	
Percentage change in Net Sales excluding FX impact and Hurricane Impact	**8%**
FX Impact	(1%)
Hurricane Impact	4%
Percentage change in Net Sales (GAAP)	**11%**

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. Plumbing Net Sales excluding FX and Hurricane impact is Plumbing net sales derived in accordance with GAAP excluding the impact of FX and the hurricane. 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)

	Three months ended September 30, 2019
	% change
TOTAL COMPANY	
Percentage change in Net Sales excluding Canada Net Sales	**0%**
Impact of Canada Net Sales	(2%)
Percentage change in Net Sales (GAAP)	**(2%)**

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)

	Three months ended September 30, 2019
	% change
TOTAL COMPANY	
Percentage change in Net Sales excluding Fiberon Net Sales	**3%**
Fiberon Net Sales	3%
FX Impact	(0%)
Percentage change in Net Sales (GAAP)	**6%**

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.

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 and asset impairments. 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. In total we recognized $0.2 million for the three months ended September 30, 2019 and $5.6 million for the three months ended September 30, 2018.

In our Doors & Security segment, other charges also includes an acquisition-related inventory step-up expense (Fiberon) classified in cost of products sold of $1.0 million for the three months ended September 30, 2018. In our Plumbing segment, other charges also includes an acquisition-related inventory step-up expense (Victoria + Albert) classified in cost of products sold of $1.6 million for the three months ended September 30, 2018, and compensation expense classified in selling, general and administrative expense of $2.3 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 also include $0.2 million of expense associated with our assessment of the impact on the Company from the Tax Cuts and Jobs act of 2017, for the three months ended September 30, 2018.

(c) Diluted EPS before charges/gains is income from continuing operations, net of tax, less noncontrolling interests calculated on a diluted per-share basis excluding restructuring and other charges, asset impairment charges, actuarial losses associated with our defined benefit plans and tax items. 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, actuarial 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 three and nine months ended September 30, 2019 and 2018 represent a pre-tax impairment charge of $29.5 million and $27.1 million, respectively, related to indefinite-lived tradenames in our Cabinets segment. Asset impairment charges for the three and twelve months ended December 31, 2018 represent a pre-tax impairment charge of $35.5 million and $62.6 million respectively, related to two indefinite-lived tradenames in our Cabinet 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.