

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

	Three Months Ended				Six Months Ended			
	June 30, 2020	June 30, 2019	\$ change	% change	June 30, 2020	June 30, 2019	\$ change	% change
<b>CABINETS</b>								
<b>Operating income before charges/gains <sup>(a)</sup></b>	\$ 44.2	\$ 67.3	\$ (23.1)	(34)	\$ 99.9	\$ 111.9	\$ (12.0)	(11)
Restructuring charges <sup>(b)</sup>	(4.7)	(1.2)	(3.5)	(292)	(7.1)	(2.3)	(4.8)	(209)
Other charges <sup>(b)</sup>								
Cost of products sold	(2.2)	(0.1)	(2.1)	(2,100)	(2.1)	(0.2)	(1.9)	(950)
Selling, general and administrative expenses	-	(0.3)	0.3	100	(0.2)	(0.5)	0.3	60
Asset impairment charges <sup>(c)</sup>	-	-	-	-	(9.5)	-	(9.5)	(100)
<b>Operating income (GAAP)</b>	\$ 37.3	\$ 65.7	\$ (28.4)	(43)	\$ 81.0	\$ 108.9	\$ (27.9)	(26)
<b>PLUMBING</b>								
<b>Operating income before charges/gains <sup>(a)</sup></b>	\$ 123.5	\$ 114.5	\$ 9.0	8	\$ 227.9	\$ 205.0	\$ 22.9	11
Restructuring charges <sup>(b)</sup>	(2.9)	(3.2)	0.3	9	(3.2)	(3.3)	0.1	3
Other charges <sup>(b)</sup>								
Cost of products sold	0.1	(2.1)	2.2	105	0.6	(3.3)	3.9	118
Selling, general and administrative expenses	1.8	(2.5)	4.3	172	1.7	(2.5)	4.2	168
Asset impairment charges <sup>(c)</sup>	(13.0)	-	(13.0)	(100)	(13.0)	-	(13.0)	(100)
<b>Operating income (GAAP)</b>	\$ 109.5	\$ 106.7	\$ 2.8	3	\$ 214.0	\$ 195.9	\$ 18.1	9
<b>DOORS &amp; SECURITY</b>								
<b>Operating income before charges/gains <sup>(a)</sup></b>	\$ 48.0	\$ 50.2	\$ (2.2)	(4)	\$ 80.6	\$ 76.3	\$ 4.3	6
Restructuring charges <sup>(b)</sup>	(2.8)	(0.1)	(2.7)	(2,700)	(3.1)	(0.1)	(3.0)	(3,000)
Other charges <sup>(b)</sup>								
Cost of products sold	-	(0.1)	0.1	100	(0.8)	(3.8)	3.0	79
<b>Operating income (GAAP)</b>	\$ 45.2	\$ 50.0	\$ (4.8)	(10)	\$ 76.7	\$ 72.4	\$ 4.3	6
<b>CORPORATE</b>								
<b>General and administrative expense before charges/gains</b>	\$ (19.0)	\$ (20.0)	\$ 1.0	5	\$ (41.9)	\$ (39.2)	\$ (2.7)	(7)
Restructuring charges <sup>(b)</sup>	-	-	-	-	(1.5)	-	(1.5)	(100)
Other charges <sup>(b)</sup>								
Selling, general and administrative expenses	-	-	-	-	(0.3)	-	(0.3)	(100)
<b>Total Corporate expense (GAAP)</b>	\$ (19.0)	\$ (20.0)	\$ 1.0	5	\$ (43.7)	\$ (39.2)	\$ (4.5)	(11)
<b>TOTAL COMPANY</b>								
<b>Operating income before charges/gains <sup>(a)</sup></b>	\$ 196.7	\$ 212.0	\$ (15.3)	(7)	\$ 366.5	\$ 354.0	\$ 12.5	4
Restructuring charges <sup>(b)</sup>	(10.4)	(4.5)	(5.9)	(131)	(14.9)	(5.7)	(9.2)	(161)
Other charges <sup>(b)</sup>								
Cost of products sold	(2.1)	(2.3)	0.2	9	(2.3)	(7.3)	5.0	68
Selling, general and administrative expenses	1.8	(2.8)	4.6	164	1.2	(3.0)	4.2	140
Asset impairment charges <sup>(c)</sup>	(13.0)	-	(13.0)	(100)	(22.5)	-	(22.5)	(100)
<b>Operating income (GAAP)</b>	\$ 173.0	\$ 202.4	\$ (29.4)	(15)	\$ 328.0	\$ 338.0	\$ (10.0)	(3)

(a) (b) (c) (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 June 30,		
2020	2019	Change

**CABINETS**

**Before charges/gains operating margin**  
 Restructuring & other charges  
**Operating margin**

8.2%	10.6%	(240) bps
(1.3%)	(0.3%)	
6.9%	10.3%	(340) bps

**PLUMBING**

**Before charges/gains operating margin**  
 Restructuring & other charges  
 Asset Impairment  
**Operating margin**

24.5%	22.6%	190 bps
(0.2%)	(1.5%)	
(2.6%)	-	
21.7%	21.1%	60 bps

**DOORS & SECURITY**

**Before charges/gains operating margin**  
 Restructuring & other charges  
**Operating margin**

14.4%	13.7%	70 bps
(0.8%)	-	
13.6%	13.7%	(10) bps

**TOTAL COMPANY**

**Before charges/gains operating margin**  
 Restructuring & other charges  
 Asset impairment charges  
**Operating margin**

14.3%	14.1%	20 bps
(0.8%)	(0.7%)	
(0.9%)	-	
12.6%	13.4%	(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 impairment 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.

**DILUTED EPS BEFORE CHARGES/GAINS RECONCILIATION**

For the three months ended June 30, 2020, diluted EPS before charges/gains is net income less noncontrolling interests calculated on a diluted per-share basis excluding \$10.7 million (\$8.0 million after tax or \$0.05 per diluted share) of restructuring and other charges, an asset impairment charge of \$13.0 million (\$10.5 million after tax or \$0.08 per diluted share), gains on equity investments of \$4.4 million (\$2.9 million net of tax, and \$0.4 million of basis difference amortization, or \$0.01 per diluted share) and a net tax benefit of \$1.5 million (\$0.01 per diluted share).

For the six months ended June 30, 2020, 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 \$16.0 million (\$11.7 million after tax or \$0.08 per diluted share) of restructuring and other charges, asset impairment charges of \$22.5 million (\$17.6 million after tax or \$0.13 per diluted share), gains on equity investments of \$11.0 million (\$7.9 million net of tax, and \$0.4 million of basis difference amortization, or \$0.06 per diluted share) and a tax benefit of \$2.1 million (\$0.01 per diluted share).

For the three months ended June 30, 2019, diluted EPS before charges/gains is net income 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 six 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 \$16.0 million (\$12.2 million after tax or \$0.08 per diluted share) of restructuring and other charges and a tax benefit of \$0.4 million.

	Three Months Ended June 30,			Six Months Ended June 30,		
	2020	2019	% Change	2020	2019	% Change
<b>Earnings Per Common Share - Diluted</b>						
Diluted EPS Before Charges/Gains <sup>(c)</sup>	\$ 0.94	\$ 1.03	(9)	\$ 1.75	\$ 1.65	6
Restructuring and other charges	(0.05)	(0.06)	17	(0.08)	(0.08)	-
Asset impairment charges <sup>(e)</sup>	(0.08)	-	-	(0.13)	-	-
Gains on equity investments <sup>(f)</sup>	0.01	-	-	0.06	-	-
Tax items	0.01	-	-	0.01	-	-
<b>Diluted EPS (GAAP)</b>	<b>\$ 0.83</b>	<b>\$ 0.97</b>	<b>(14)</b>	<b>\$ 1.61</b>	<b>\$ 1.57</b>	<b>3</b>

(c) (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 June 30, 2020**

Short-term debt **	-
Long-term debt **	2,245.9
Total debt	2,245.9
Less:	
Cash and cash equivalents **	398.4
Net debt (1)	1,847.5

**For the twelve months ended June 30, 2020**

EBITDA before charges/gains (2) <sup>(d)</sup>	932.3
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<b>Net debt-to-EBITDA before charges/gains ratio (1/2)</b>	<b>2.0</b>
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\*\* Amounts are per the unaudited Condensed Consolidated Balance Sheet as of June 30, 2020.

	Six Months Ended December 31,	Six Months Ended June 30,	Twelve Months Ended June 30,
	2019	2020	2020
<b>EBITDA BEFORE CHARGES/GAINS <sup>(d)</sup></b>	\$ 489.8	\$ 442.5	\$ 932.3
Depreciation***	\$ (55.3)	\$ (55.1)	\$ (110.4)
Amortization of intangible assets	(21.3)	(20.6)	(41.9)
Restructuring and other charges	(8.0)	(16.0)	(24.0)
Interest expense	(46.0)	(44.3)	(90.3)
Asset impairment charges <sup>(e)</sup>	(41.5)	(22.5)	(64.0)
Equity in losses of affiliate	-	(2.3)	(2.3)
Gains on equity investments <sup>(f)</sup>	-	11.0	11.0
Defined benefit plan actuarial losses	(34.1)	-	(34.1)
Income taxes	(73.9)	(67.7)	(141.6)
<b>Net Income (GAAP)</b>	<b>\$ 209.7</b>	<b>\$ 225.0</b>	<b>\$ 434.7</b>

\*\*\* Depreciation excludes a benefit relating to the reversal of previously recorded accelerated depreciation expense of (\$1.9) million for the six months ended June 30, 2020 and it also excludes accelerated depreciation expense of (\$0.6) million for the six months ended December 31, 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.**

**RECONCILIATION OF PERCENTAGE CHANGE IN PLUMBING NET SALES EXCLUDING FX IMPACT TO PERCENTAGE CHANGE IN NET SALES (GAAP)**

*(Unaudited)*

Three Months Ended June 30, 2020
% change

**PLUMBING**

Percentage change in Net Sales excluding FX Impact

FX Impact

Percentage change in Net Sales (GAAP)

1%
(1%)
<b>(0%)</b>

Plumbing net sales excluding FX impact is consolidated Plumbing net sales derived in accordance with GAAP excluding the FX impact on 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 PERCENTAGE CHANGE IN CABINETS NET SALES EXCLUDING IMPACT OF EXTENDED LEAD TIMES TO PERCENTAGE CHANGE IN NET SALES (GAAP)**

*(Unaudited)*

Three Months Ended June 30, 2020
% change

**CABINETS**

Percentage change in Net Sales excluding the impact of extended lead times

Impact of extended lead times

Percentage change in Net Sales (GAAP)

(10%)
(5%)
<b>(15%)</b>

Cabinets net sales excluding the impact of extended lead times is consolidated Cabinets net sales derived in accordance with GAAP excluding the impact of extended lead times on net sales. Management uses this measure to evaluate the overall performance of the Cabinets 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.

## 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 impairment 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 the Company 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 losses on the sale of closed facilities. In total, we recognized a charge of \$0.3 million and \$1.1 million in the three and six months ended June 30, 2020, respectively, and \$5.1 million and \$8.5 million for the three and six months ended June 30, 2019, respectively.

In our Doors & Security segment, other charges also includes an acquisition-related inventory step-up expense (Fiberon) classified in cost of products sold of \$1.8 million for the six months ended June 30, 2019.

(c) Diluted EPS before charges/gains is net income less noncontrolling interests calculated on a diluted per-share basis excluding restructuring and other charges, asset impairment charges, gains on equity investments 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 net income, derived in accordance with GAAP excluding depreciation, amortization of intangible assets, restructuring and other charges, interest expense, asset impairment charges, equity in loss of affiliate, gains on equity investments, defined benefit plan actuarial losses 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 the Company. 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 months ended June 30, 2020 represent a pre-tax impairment charge of \$13.0 million related to an indefinite-lived tradename in our Plumbing segment and for the six months ended June 30, 2020 pre-tax impairment charges of \$22.5 million related to indefinite-lived tradenames in our Cabinets and Plumbing segments.

(f) Gains on equity investments for the three and six months ended June 30, 2020 represents gains related to our 2020 investments in Flo Technologies.