

FORTUNE BRANDS HOME & SECURITY, INC.

RECONCILIATION OF OPERATING INCOME BEFORE CHARGES/GAINS TO GAAP OPERATING INCOME

(In millions)

(Unaudited)

	For the three months ended			
	March 31, 2018	March 31, 2017	\$ change	% change
CABINETS				
Operating income before charges/gains ^(a)	\$ 24.2	\$ 47.0	\$ (22.8)	(49)
Restructuring charges ^(b)	(0.3)	-	(0.3)	(100)
Other charges ^(b)				
Cost of products sold	0.2	-	0.2	100
Operating income (GAAP)	\$ 24.1	\$ 47.0	\$ (22.9)	(49)
PLUMBING				
Operating income before charges/gains ^(a)	\$ 92.4	\$ 69.6	\$ 22.8	33
Restructuring charges ^(b)	0.2	(1.4)	1.6	114
Other charges ^(b)				
Cost of products sold	(1.7)	(1.0)	(0.7)	(70)
Selling, general and administrative expenses	(2.5)	-	(2.5)	(100)
Operating income (GAAP)	\$ 88.4	\$ 67.2	\$ 21.2	32
DOORS				
Operating income before charges/gains ^(a)	\$ 13.8	\$ 8.0	\$ 5.8	73
Restructuring charges	(0.7)	0.2	(0.9)	(450)
Operating income (GAAP)	\$ 13.1	\$ 8.2	\$ 4.9	60
SECURITY				
Operating income before charges/gains ^(a)	\$ 15.2	\$ 15.0	\$ 0.2	1
Restructuring charges ^(b)	-	(1.0)	1.0	100
Other charges ^(b)				
Selling, general and administrative expenses	(0.1)	(0.7)	0.6	86
Asset impairment charge	-	(3.2)	3.2	100
Operating income (GAAP)	\$ 15.1	\$ 10.1	\$ 5.0	50
CORPORATE				
General and administrative expense before charges/gains	\$ (21.3)	\$ (21.5)	\$ 0.2	1
Total Corporate expense (GAAP)	\$ (21.3)	\$ (21.5)	\$ 0.2	1
FORTUNE BRANDS HOME & SECURITY				
Operating income before charges/gains ^(a)	\$ 124.3	\$ 118.1	\$ 6.2	5
Restructuring charges ^(b)	(0.8)	(2.2)	1.4	64
Other charges ^(b)				
Cost of products sold	(1.5)	(1.0)	(0.5)	(50)
Selling, general and administrative expenses	(2.6)	(0.7)	(1.9)	(271)
Asset impairment charges	-	(3.2)	3.2	100
Operating income (GAAP)	\$ 119.4	\$ 111.0	\$ 8.4	8

(a) (b) 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 March 31,			
				2018	2017	Change	
CABINETS							
Before Charges/Gains Operating Margin				4.3%	8.2%	(390) bps	
Operating Margin				4.3%	8.2%	(390) bps	
PLUMBING							
Before Charges/Gains Operating Margin				20.5%	18.4%	210 bps	
Restructuring & Other Charges				(0.8%)	(0.6%)		
Operating Margin				19.7%	17.8%	190 bps	
DOORS							
Before Charges/Gains Operating Margin				12.5%	7.8%	470 bps	
Restructuring & Other Charges				(0.6%)	0.2%		
Operating Margin				11.9%	8.0%	390 bps	
SECURITY							
Before Charges/Gains Operating Margin				11.1%	11.3%	(20) bps	
Restructuring & Other Charges				(0.1%)	(1.3%)		
Asset Impairment				-	(2.4%)		
Operating Margin				11.0%	7.6%	340 bps	
Total Company							
Before Charges/Gains Operating Margin				9.9%	10.0%	(10) bps	
Restructuring & Other Charges				(0.4%)	(0.3%)		
Asset Impairments				-	(0.3%)		
Operating Margin				9.5%	9.4%	10 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.

FORTUNE BRANDS HOME & SECURITY, INC.
FREE CASH FLOW GUIDANCE TO GAAP CASH FLOW FROM OPERATIONS
(In millions)
(Unaudited)

	Twelve Months Ended December 31, 2018
Free Cash Flow*	\$ 525.0 - 550.0
Add:	
Capital Expenditures	150.0 - 155.0
Less:	
Proceeds from the sale of assets	-
Proceeds from the exercise of stock options	25.0 - 30.0
Cash Flow From Operations (GAAP)	\$ 650.0 - 675.0

* 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.

(In millions)

(Unaudited)

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

As of March 31, 2018

Short-term debt *	350.0
Long-term debt *	1,538.0
Total debt	1,888.0
Less:	
Cash and cash equivalents *	244.4
Net debt (1)	1,643.6

For the twelve months ended March 31, 2018

EBITDA before charges/gains (2) ^(c)	860.7
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Net debt-to-EBITDA before charges/gains ratio (1/2)	1.9
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* Amounts are per the unaudited Condensed Consolidated Balance Sheet as of March 31, 2018.

	Nine Months Ended December 31, 2017	Three Months Ended March 31, 2018	Twelve Months Ended March 31, 2018
EBITDA BEFORE CHARGES/GAINS ^(c)	\$ 700.1	\$ 160.6	\$ 860.7
Depreciation	\$ (74.9)	\$ (25.3)	\$ (100.2)
Amortization of intangible assets	(23.6)	(8.2)	(31.8)
Restructuring and other charges	(19.1)	(4.9)	(24.0)
Interest expense	(37.5)	(14.7)	(52.2)
Loss on sale of product line	(2.4)	-	(2.4)
Asset impairment charges ^(e)	(12.1)	-	(12.1)
Defined benefit plan actuarial gains	0.5	-	0.5
Income taxes	(133.1)	(32.4)	(165.5)
Income from continuing operations, net tax	\$ 397.9	\$ 75.1	\$ 473.0

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

DILUTED EPS BEFORE CHARGES/GAINS RECONCILIATION

For the three months ended March 31, 2018, diluted EPS before charges/gains is net income from continuing operations, net of tax including the impact from noncontrolling interests calculated on a diluted per-share basis excluding \$4.9 million (\$4.5 million after tax or \$0.03 per diluted share) of restructuring and other charges and a net charge related to the Tax Cuts and Jobs Act of 2017 of \$5.4 million (\$0.04 per diluted share).

For the three months ended March 31, 2017, diluted EPS before charges/gains is income from continuing operations, net of tax and including the impact from noncontrolling interests calculated on a diluted per-share basis excluding \$3.9 million (\$2.9 million after tax or \$0.01 per diluted share) of restructuring and other charges and asset impairment charges of \$3.2 million (\$3.2 million after tax or \$0.02 per diluted share).

Earnings Per Common Share - Diluted

Diluted EPS Before Charges/Gains - Continuing Operations ^(d)

Restructuring and other charges

Asset impairment charges ^(e)

Tax items

Diluted EPS - Continuing Operations

Three Months Ended March 31,		
2018	2017	% Change
\$ 0.56	\$ 0.53	6
(0.03)	(0.01)	(200)
-	(0.02)	100
(0.04)	-	-
\$ 0.49	\$ 0.50	(2)

RECONCILIATION OF FULL YEAR 2018 EARNINGS GUIDANCE TO GAAP

he Company is targeting diluted EPS before charges/gains from continuing operations to be in the range of \$3.58 to \$3.70 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 \$3.55 per share. 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 2018.

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

FORTUNE BRANDS HOME & SECURITY, INC.
RECONCILIATION OF PERCENTAGE CHANGE IN NET SALES EXCLUDING EXITS FROM
TARGETED BUSINESS TO PERCENTAGE CHANGE IN NET SALES (GAAP)
(Unaudited)

CABINETS

Percentage change in Net Sales excluding exits from targeted U.S.

Homecenter and Canadian business

Impact of U.S. Homecenter business

Impact of Canadian business

Percentage change in Net Sales (GAAP)

Three months ended March 31, 2018
% change

1%
(3%)
(1%)
(3%)

Net sales excluding exits of targeted business lines is Cabinets net sales derived in accordance with GAAP excluding certain U.S. Homecenter and Canadian businesses. 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.

FORTUNE BRANDS HOME & SECURITY, INC.
RECONCILIATION OF PERCENTAGE CHANGE IN PLUMBING NET SALES EXCLUDING GPG
ACQUISITIONS TO PERCENTAGE CHANGE IN NET SALES (GAAP)

(Unaudited)

PLUMBING

Percentage change in Net Sales excluding acquisitions (organic)

Acquisitions Net Sales

Percentage change in Net Sales (GAAP)

Three months ended March 31, 2018
% change

16%
3%
19%

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.

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 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 inventory obsolescence provisions, trade receivables allowances from exiting product lines, accelerated depreciation resulting from the closure of facilities, and gains or losses on the sale of previously closed facilities. In addition, other charges include acquisition related inventory step-up expense of \$1.7 million for the three months ended March 31, 2018 in our Plumbing segment and \$2.5 million of compensation expense in our Plumbing segment related to deferred purchase price consideration payable to certain former Victoria + Albert shareholders contingent on their employment through October 2018.

(c) EBITDA before charges/gains is income from continuing operations, net of tax, derived in accordance with GAAP excluding restructuring and other charges, the impact of income and expense from actuarial gains or losses associated with our defined benefit plans, depreciation, asset impairment charges, the loss on sale of product line, 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.

(d) 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 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.

(e) Asset impairment charges for the nine months ended December 31, 2017, include an impairment of a cost investment in a developmental stage home security company classified in other expense and an impairment of a long-lived Corporate asset classified in selling, general and administrative expenses. In addition, asset impairments for the three months ended March 31, 2017, include impairments related to our decision during the first quarter of 2017 to sell the Field ID product line.