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, 2018	June 30, 2017	$ change	% change
CABINETS				
Operating income before charges/gains [(a)]	$ 81.2	$ 88.7	$ (7.5)	(8)
Restructuring charges [(b)]	(7.3)	-	(7.3)	(100)
Other charges [(b)]				
Cost of products sold	(4.5)	-	(4.5)	(100)
Operating income (GAAP)	$ 69.4	$ 88.7	$ (19.3)	(22)
PLUMBING				
Operating income before charges/gains [(a)]	$ 101.3	$ 101.3	$ -	-
Restructuring charges [(b)]	(1.7)	(0.2)	(1.5)	(750)
Other charges [(b)]				
Cost of products sold	(1.7)	0.1	(1.8)	(1,800)
Selling, general and administrative expenses	(2.6)	-	(2.6)	(100)
Operating income (GAAP)	$ 95.3	$ 101.2	$ (5.9)	(6)
DOORS				
Operating income before charges/gains [(a)]	$ 28.0	$ 22.6	$ 5.4	24
Restructuring charges	(0.1)	-	(0.1)	(100)
Other charges				
Selling, general and administrative expenses	-	(0.1)	0.1	100
Operating income (GAAP)	$ 27.9	$ 22.5	$ 5.4	24
SECURITY				
Operating income before charges/gains [(a)]	$ 20.0	$ 21.6	$ (1.6)	(7)
Restructuring charges [(b)]	(1.7)	(0.7)	(1.0)	(143)
Other charges [(b)]				
Cost of products sold	(1.9)	-	(1.9)	(100)
Selling, general and administrative expenses	1.0	0.1	0.9	900
Loss on sale of product line	-	(2.4)	2.4	100
Operating income (GAAP)	$ 17.4	$ 18.6	$ (1.2)	(6)
CORPORATE				
General and administrative expense before charges/gains	$ (21.3)	$ (21.8)	$ 0.5	2
Other charges [(b)]				
Selling, general and administrative expenses	(0.1)	-	(0.1)	(100)
Total Corporate expense (GAAP)	$ (21.4)	$ (21.8)	$ 0.4	2
FORTUNE BRANDS HOME & SECURITY				
Operating income before charges/gains [(a)]	$ 209.2	$ 212.4	$ (3.2)	(2)
Restructuring charges [(b)]	(10.8)	(0.9)	(9.9)	(1,100)
Other charges [(b)]				
Cost of products sold	(8.1)	0.1	(8.2)	(8,200)
Selling, general and administrative expenses	(1.7)	-	(1.7)	(100)
Loss on sale of product line	-	(2.4)	2.4	100
Operating income (GAAP)	$ 188.6	$ 209.2	$ (20.6)	(10)

(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 June 30,			Six Months Ended June 30,		
	2018	2017	Change	2018	2017	Change
CABINETS						
Before Charges/Gains Operating Margin	12.7%	13.6%	(90) bps			
Restructuring & Other Charges	(1.8%)	-				
Operating Margin	10.9%	13.6%	(270) bps			
PLUMBING						
Before Charges/Gains Operating Margin	20.9%	23.3%	(240) bps	20.8%	21.0%	(20) bps
Restructuring & Other Charges	(1.2%)	-		(1.1%)	(0.3%)	
Operating Margin	19.7%	23.3%	(360) bps	19.7%	20.7%	(100) bps
DOORS						
Before Charges/Gains Operating Margin	17.5%	16.9%	60 bps			
Restructuring & Other Charges	(0.1%)	-				
Operating Margin	17.4%	16.9%	50 bps			
SECURITY						
Before Charges/Gains Operating Margin	13.6%	15.0%	(140) bps			
Restructuring & Other Charges	(1.8%)	(0.4%)				
Loss on sale of product line	-	(1.7%)				
Operating Margin	11.8%	12.9%	(110) bps			
Total Company						
Before Charges/Gains Operating Margin	14.6%	15.6%	(100) bps			
Restructuring & Other Charges	(1.4%)	(0.1%)				
Loss on sale of product line	-	(0.2%)				
Operating Margin	13.2%	15.3%	(210) 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 loss on sale of product line, 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*	$	500.0 - 525.0
Add:		
Capital Expenditures		150.0 - 155.0
Less:		
Proceeds from the sale of assets		-
Proceeds from the exercise of stock options		5.0 - 10.0
Cash Flow From Operations (GAAP)	$	645.0 - 670.0

* 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.

DILUTED EPS BEFORE CHARGES/GAINS RECONCILIATION

For the three months ended June 30, 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 $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).

For the three months ended June 30, 2017, 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 $0.8 million ($0.5 million after tax) of restructuring and other charges and a loss on sale of product line of $2.4 million ($2.5 million after tax or $0.02 per diluted share).

	Three Months Ended June 30,		
	2018	2017	% Change
Earnings Per Common Share - Diluted			
Diluted EPS Before Charges/Gains - Continuing Operations [d]	$ 1.00	$ 0.92	9
Restructuring and other charges	(0.11)	-	-
Loss on sale of product line	-	(0.02)	100
Tax items	(0.01)	-	-
Diluted EPS - Continuing Operations	$ 0.88	$ 0.90	(2)

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

FORTUNE BRANDS HOME & SECURITY, INC.
RECONCILIATION OF FULL YEAR 2018 GUIDANCE DILUTED EPS BEFORE CHARGES/GAINS TO GAAP DILUTED EPS
(Unaudited)

	For the twelve months ended		
	December 31, 2018	December 31, 2017	% change
Diluted EPS before charges/gains - full year range	$ 3.62 - 3.72	$ 3.08	18 - 21
Diluted EPS Before Charges/Gains - Continuing Operations [d]	$ 3.67	$ 3.08	19
Restructuring and other charges	(0.24)	(0.10)	
Asset impairment charges [e]	-	(0.07)	
Loss on sale of product line	-	(0.02)	
Tax item	(0.04)	0.16	
Diluted EPS - Continuing Operations	$ 3.39	$ 3.05	11
Diluted EPS - Continuing Operations - full year range	$ 3.34 - 3.44	$ 3.05	10 - 13

For the twelve months ended December 31, 2018 the Company is targeting diluted EPS before charges/gains from continuing operations to be in the range of $3.62 to $3.72 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 $3.34 to $3.44 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 additional gains or losses associated with its defined benefit plans.

For the year ended December 31, 2017, 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 $23.0 million ($16.3 million after tax or $0.10 per diluted share) of restructuring and other charges, asset impairments of $15.3 million ($11.1 million after tax or $0.07 per diluted share), the loss on sale of product line of $2.4 million ($2.5 million after tax or $0.02 per diluted share), the impact of income from actuarial gains associated with our defined benefit plans of $0.5 million ($0.3 million after tax) and a net benefit related to the Tax Cuts and Jobs Act of 2017 of $25.7 million ($0.16 per diluted share).

(d) (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 June 30, 2018	
Short-term debt *	350.0
Long-term debt *	1,793.3
Total debt	2,143.3
Less:	
Cash and cash equivalents *	345.5
Net debt (1)	1,797.8
For the twelve months ended June 30, 2018	
EBITDA before charges/gains (2) [(c)]	864.3
Net debt-to-EBITDA before charges/gains ratio (1/2)	2.1

* Amounts are per the unaudited Condensed Consolidated Balance Sheet as of June 30, 2018.

	Six Months Ended December 31, 2017	Six Months Ended June 30, 2018	Twelve Months Ended June 30, 2018
EBITDA BEFORE CHARGES/GAINS [(c)]	$ 453.2	$ 411.1	$ 864.3
Depreciation	$ (50.7)	$ (55.0)	$ (105.7)
Amortization of intangible assets	(15.6)	(16.4)	(32.0)
Restructuring and other charges	(18.3)	(25.5)	(43.8)
Interest expense	(25.2)	(32.1)	(57.3)
Asset impairment charges [(e)]	(12.1)	-	(12.1)
Defined benefit plan actuarial gains	0.5	-	0.5
Income taxes	(74.2)	(77.3)	(151.5)
Income from continuing operations, net tax	$ 257.6	$ 204.8	$ 462.4

(c) (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)

	Three months ended June 30, 2018
	% change
CABINETS	
Percentage change in Net Sales excluding exits from targeted U.S. Homecenter and Canadian business	**1%**
Impact of U.S. Homecenter business	(3%)
Impact of Canadian business	(0%)
Percentage change in Net Sales (GAAP)	**(2%)**

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)

	Three months ended June 30, 2018
	% change
PLUMBING	
Percentage change in Net Sales excluding acquisitions (organic)	**9%**
Acquisitions Net Sales	2%
Percentage change in Net Sales (GAAP)	**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.

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 the loss on the sale of a product line. 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 our Plumbing segment, other charges include acquisition related inventory step-up expense of $1.7 million and $3.4 million for the three and six months ended June 30, 2018 and $0.9 million for the six months ended June 30, 2017. In addition, in our Plumbing segment, other charges includes compensation expense related to deferred purchase price consideration payable to certain former Victoria + Albert shareholders contingent on their employment through October 2018 of $2.5 million and $5.0 million for the three and six months ended June 30, 2018. In Corporate, other charges include $0.1 million of expense associated with our assessment of the impact on the Company from the Tax Cuts and Jobs Act of 2017.

(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, 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, loss on sale of product line 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 six and twelve 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 twelve months ended December 31,2017, include impairments related to our decision during the first quarter of 2017 to sell the Field ID product line.