

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, 2019	March 31, 2018	\$ change	% change
CABINETS				
Operating income before charges/gains ^(a)	\$ 44.6	\$ 24.2	\$ 20.4	84
Restructuring charges ^(b)	(1.1)	(0.3)	(0.8)	(267)
Other charges ^(b)				
Cost of products sold	(0.1)	0.2	(0.3)	(150)
Selling, general and administrative expenses	(0.2)	-	(0.2)	(100)
Operating income (GAAP)	\$ 43.2	\$ 24.1	\$ 19.1	79
PLUMBING				
Operating income before charges/gains ^(a)	\$ 90.5	\$ 92.4	\$ (1.9)	(2)
Restructuring charges ^(b)	(0.1)	0.2	(0.3)	(150)
Other charges ^(b)				
Cost of products sold	(1.2)	(1.7)	0.5	29
Selling, general and administrative expenses	-	(2.5)	2.5	100
Operating income (GAAP)	\$ 89.2	\$ 88.4	\$ 0.8	1
DOORS & SECURITY ^(g)				
Operating income before charges/gains ^(a)	\$ 26.1	\$ 29.0	\$ (2.9)	(10)
Restructuring charges ^(b)	-	(0.7)	0.7	100
Other charges ^(b)				
Cost of products sold	(3.7)	-	(3.7)	(100)
Selling, general and administrative expenses	-	(0.1)	0.1	100
Operating income (GAAP)	\$ 22.4	\$ 28.2	\$ (5.8)	(21)
CORPORATE				
General and administrative expense before charges/gains	\$ (19.2)	\$ (21.3)	\$ 2.1	10
Total Corporate expense (GAAP)	\$ (19.2)	\$ (21.3)	\$ 2.1	10
FORTUNE BRANDS HOME & SECURITY				
Operating income before charges/gains ^(a)	\$ 142.0	\$ 124.3	\$ 17.7	14
Restructuring charges ^(b)	(1.2)	(0.8)	(0.4)	(50)
Other charges ^(b)				
Cost of products sold	(5.0)	(1.5)	(3.5)	(233)
Selling, general and administrative expenses	(0.2)	(2.6)	2.4	92
Operating income (GAAP)	\$ 135.6	\$ 119.4	\$ 16.2	14

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

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

DILUTED EPS BEFORE CHARGES/GAINS RECONCILIATION

For the three months ended March 31, 2019, 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 \$6.4 million (\$4.7 million after tax or \$0.03 per diluted share) of restructuring and other charges and the benefit from a tax item of \$0.5 million.

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).

Earnings Per Common Share - Diluted

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

Restructuring and other charges

Tax items

Diluted EPS - Continuing Operations

Three Months Ended March 31,		
2019	2018	% Change
\$ 0.63	\$ 0.56	13
(0.03)	(0.03)	-
-	(0.04)	100
\$ 0.60	\$ 0.49	22

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 \$3.77 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 \$3.45 to \$3.69 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 March 31,			
	2019	2018	Change
CABINETS			
Before Charges/Gains Operating Margin	7.8%	4.3%	350 bps
Restructuring & Other Charges	(0.3%)	-	
Operating Margin	7.5%	4.3%	320 bps
PLUMBING			
Before Charges/Gains Operating Margin	19.7%	20.5%	(80) bps
Restructuring & Other Charges	(0.2%)	(0.8%)	
Operating Margin	19.5%	19.7%	(20) bps
DOORS & SECURITY			
Before Charges/Gains Operating Margin	8.8%	11.7%	(290) bps
Restructuring & Other Charges	(1.2%)	(0.3%)	
Operating Margin	7.6%	11.4%	(380) bps
Total Company			
Before Charges/Gains Operating Margin	10.7%	9.9%	80 bps
Restructuring & Other Charges	(0.5%)	(0.4%)	
Operating Margin	10.2%	9.5%	70 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.
RECONCILIATION OF PERCENTAGE CHANGE IN DOORS & SECURITY 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)

Three months ended March 31, 2019	
% change	
	5%
	15%
	20%

Doors & Security net sales excluding Fiberon net sales is Doors & Security net sales derived in accordance with GAAP excluding Fiberon net sales. Management use this measure to evaluate the overall performance of 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 PLUMBING 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)

Three months ended March 31, 2019	
% change	
	3.5%
	(1.5%)
	2.0%

Plumbing net sales excluding FX impact is 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 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 ACQUISITIONS TO PERCENTAGE CHANGE IN NET SALES (GAAP)
(Unaudited)**

TOTAL COMPANY

Percentage change in Net Sales excluding acquisitions (organic)
Acquisition Net Sales
Percentage change in Net Sales (GAAP)

Three months ended March 31, 2019	
% change	
	3%
	3%
	6%

Total Company net sales excluding acquisitions 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 March 31, 2018
	% change
PLUMBING	
Percentage change in Net Sales excluding acquisitions (organic)	16%
Acquisitions Net Sales	3%
Percentage change in Net Sales (GAAP)	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.

FORTUNE BRANDS HOME & SECURITY, INC.
(In millions)
(Unaudited)

RECONCILIATION OF EBITDA BEFORE CHARGES/GAINS TO INCOME FROM CONTINUING OPERATIONS

	Three Months Ended March 31,		
	2019	2018	% Change
EBITDA BEFORE CHARGES/GAINS ^(d)	\$ 179.7	\$ 160.6	12
Depreciation*	\$ (26.5)	\$ (25.3)	(5)
Amortization of intangible assets	(10.0)	(8.2)	(22)
Restructuring and other charges	(6.4)	(4.9)	(31)
Interest expense	(23.7)	(14.7)	(61)
Income taxes	(28.6)	(32.4)	12
Income from continuing operations, net of tax	\$ 84.5	\$ 75.1	13

* Depreciation excludes accelerated depreciation of \$1.3 million for the three months ended March 31, 2019. Accelerated depreciation is included in restructuring and other charges.

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

As of March 31, 2019

Short-term debt **	350.0
Long-term debt **	2,169.7
Total debt	2,519.7
Less:	
Cash and cash equivalents **	281.2
Net debt (1)	2,238.5
For the twelve months ended March 31, 2019	
EBITDA before charges/gains (2) ^(d)	887.4
Net debt-to-EBITDA before charges/gains ratio (1/2)	2.5

** Amounts are per the unaudited Condensed Consolidated Balance Sheet as of March 31, 2019.

	Nine Months Ended December 31, 2018	Three Months Ended March 31, 2019	Twelve Months Ended March 31, 2019
	EBITDA BEFORE CHARGES/GAINS ^(d)	\$ 707.7	\$ 179.7
Depreciation***	\$ (82.0)	\$ (26.5)	\$ (108.5)
Amortization of intangible assets	(27.9)	(10.0)	(37.9)
Restructuring and other charges	(49.3)	(6.4)	(55.7)
Interest expense	(59.8)	(23.7)	(83.5)
Asset impairment charges ^(e)	(62.6)	-	(62.6)
Change in inventory costing method ^(f)	7.3	-	7.3
Defined benefit plan actuarial losses	(3.9)	-	(3.9)
Income taxes	(114.6)	(28.6)	(143.2)
Income from continuing operations, net of tax	\$ 314.9	\$ 84.5	\$ 399.4

*** Depreciation excludes accelerated depreciation of \$6.2 million for the nine months ended December 31, 2018 and \$1.3 million for the three months ended March 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.
FREE CASH FLOW GUIDANCE TO GAAP CASH FLOW FROM OPERATIONS
(In millions)
(Unaudited)

	Twelve Months Ended December 31, 2019
Free Cash Flow*	\$ 500.0
Add:	
Capital Expenditures	135.0 - 145.0
Less:	
Proceeds from the sale of assets	2.0
Proceeds from the exercise of stock options	3.0 - 5.0
Cash Flow From Operations (GAAP)	\$ 630.0 - 638.0

* 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.

RECONCILIATION OF PERCENTAGE CHANGE IN FIRST HALF 2019 DILUTED EPS BEFORE CHARGES/GAINS TO PERCENTAGE CHANGE IN GAAP DILUTED EPS (Unaudited)

	For the six months ended June 30, 2019
	% change
Diluted EPS before charges/gains - Continuing Operations - (first half 2019 range) ^(c)	6% - 7%
Restructuring and other charges	7%
Tax items	3%
Diluted EPS - Continuing Operations	16%
Diluted GAAP EPS - Continuing Operations - (first half 2019 range)	16% - 17%

The Company is targeting diluted EPS before charges/gains from continuing operations growth in the range of 6% to 7%. For the first half of 2019, on a GAAP basis, the Company is targeting diluted EPS from continuing operations growth in the range of 16% to 17% and including the first half 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. 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.

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

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
Diluted EPS before charges/gains - full year range	\$ 3.53 - 3.77	\$ 3.34	6 - 13
Diluted EPS Before Charges/Gains - Continuing Operations ^(c)	\$ 3.65	\$ 3.34	9
Restructuring and other charges	(0.08)	(0.30)	
Asset impairment charges ^(e)	-	(0.35)	
Change in inventory costing method ^(f)	-	0.04	
Defined benefit plan actuarial losses	-	(0.02)	
Tax items	-	(0.05)	
Diluted EPS - Continuing Operations	\$ 3.57	\$ 2.66	34
Diluted EPS - Continuing Operations - full year range	\$ 3.45 - 3.69	\$ 2.66	30 - 39

The Company is targeting diluted EPS before charges/gains from continuing operations to be in the range of \$3.53 to \$3.77 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 \$3.45 to \$3.69 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 including the impact from 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 \$3.4 million for the three months ended March 31, 2019 and (\$0.1) million for the three months ended March 31, 2018.

In our Doors & Security segment, other charges also includes an acquisition-related inventory step-up expense classified in cost of products sold of \$1.8 million for the three months ended March 31, 2019. 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 March 31, 2018, compensation 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 classified in selling, general and administrative expense for the three months ended March 31, 2018.

(c) Diluted EPS before charges/gains for the three months ended March 31, 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.