

**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, 2017	June 30, 2016	\$ change	% change
<b>CABINETS</b>				
Operating income before charges/gains <sup>(a)</sup>	\$ 88.7	\$ 83.5	\$ 5.2	6
Operating income (GAAP)	\$ 88.7	\$ 83.5	\$ 5.2	6
<b>PLUMBING</b>				
Operating income before charges/gains <sup>(a)</sup>	\$ 103.4	\$ 87.7	\$ 15.7	18
Restructuring charges <sup>(b)</sup>	(0.2)	(0.3)	0.1	33
Other charges <sup>(b)</sup>				
Cost of products sold	0.1	(0.2)	0.3	150
Selling, general and administrative expenses	-	(0.1)	0.1	100
Operating income (GAAP)	\$ 103.3	\$ 87.1	\$ 16.2	19
<b>DOORS</b>				
Operating income before charges/gains <sup>(a)</sup>	\$ 22.6	\$ 19.6	\$ 3.0	15
Other charges				
Selling, general and administrative expenses	(0.1)	-	(0.1)	(100)
Operating income (GAAP)	\$ 22.5	\$ 19.6	\$ 2.9	15
<b>SECURITY</b>				
Operating income before charges/gains <sup>(a)</sup>	\$ 21.6	\$ 19.6	\$ 2.0	10
Restructuring charges <sup>(b)</sup>	(0.7)	(3.4)	2.7	79
Other charges <sup>(b)</sup>				
Selling, general and administrative expenses	0.1	-	0.1	100
Loss on sale of product line	(2.4)	-	(2.4)	(100)
Operating income (GAAP)	\$ 18.6	\$ 16.2	\$ 2.4	15
<b>CORPORATE</b>				
General and administrative expense before charges/gains	\$ (21.7)	\$ (19.5)	\$ (2.2)	(11)
Defined benefit plan income before actuarial gains	1.0	0.8	0.2	25
Total Corporate expense (GAAP)	\$ (20.7)	\$ (18.7)	\$ (2.0)	(11)
<b>FORTUNE BRANDS HOME &amp; SECURITY</b>				
Operating income before charges/gains <sup>(a)</sup>	\$ 215.6	\$ 191.7	\$ 23.9	12
Restructuring charges <sup>(b)</sup>	(0.9)	(3.7)	2.8	76
Other charges <sup>(b)</sup>				
Cost of products sold	0.1	(0.2)	0.3	150
Selling, general and administrative expenses	-	(0.1)	0.1	100
Loss on sale of product line	(2.4)	-	(2.4)	(100)
Operating income (GAAP)	\$ 212.4	\$ 187.7	\$ 24.7	13

(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,		
	2017	2016	Change
<b>CABINETS</b>			
Before Charges/Gains Operating Margin	13.6%	12.9%	70 bps
Operating Margin	13.6%	12.9%	70 bps
<b>PLUMBING</b>			
Before Charges/Gains Operating Margin	23.8%	23.2%	60 bps
Restructuring & Other Charges	-	(0.2%)	
Operating Margin	23.8%	23.0%	80 bps
<b>DOORS</b>			
Before Charges/Gains Operating Margin	16.9%	15.3%	160 bps
Restructuring & Other Charges	-	-	
Operating Margin	16.9%	15.3%	160 bps
<b>SECURITY</b>			
Before Charges/Gains Operating Margin	15.0%	13.4%	160 bps
Restructuring & Other Charges	(0.4%)	(2.3%)	
Loss on sale of product line	(1.7%)	-	
Operating Margin	12.9%	11.1%	180 bps
<b>FBHS</b>			
Before Charges/Gains Operating Margin	15.8%	14.8%	100 bps
Restructuring & Other Charges	(0.1%)	(0.3%)	
Loss on sale of product line	(0.1%)	-	
Operating Margin	15.6%	14.5%	110 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 for FBHS, the impact of expense from actuarial losses associated with our defined benefit plans recorded in the Corporate segment and dividing by GAAP nets 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.**  
**BEFORE CHARGES/GAINS OPERATING MARGIN TO OPERATING**  
**MARGIN**  
*(Unaudited)*

**CABINETS**

**Before Charges/Gains Operating Margin**

Restructuring & Other Charges

**Operating Margin**

<b>Twelve Months Ended December 31, 2016</b>	
	10.8%
	-
	10.8%

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 dividing 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 second quarter of 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).

For the second quarter of 2016, diluted EPS before charges/gains is net income including the impact from noncontrolling interests calculated on a diluted per-share basis excluding \$4.0 million (\$2.8 million after tax or \$0.02 per diluted share) of net restructuring and other charges, the impact of the write-off of prepaid debt issuance costs of \$1.3 million (\$0.8 million after tax) and a tax item of \$0.8 million.

### **Earnings Per Common Share - Diluted**

Diluted EPS Before Charges/Gains - Continuing Operations <sup>(d)</sup>

Restructuring and other charges

Loss on sale of product line

Diluted EPS - Continuing Operations

<b>Three Months Ended June 30,</b>		
<b>2017</b>	<b>2016</b>	<b>% Change</b>
\$ 0.92	\$ 0.82	12
-	(0.02)	100
(0.02)	-	-
\$ 0.90	\$ 0.80	13

## **RECONCILIATION OF FULL YEAR 2017 EARNINGS GUIDANCE TO GAAP**

The Company is targeting diluted EPS before charges/gains from continuing operations to be in the range of \$3.04 to \$3.12 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 \$2.98 to \$3.06 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 additional gains or losses associated with its defined benefit plans.

(d) 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, 2017**

Long-term debt *	1,391.9
Total debt	1,391.9
Less:	
Cash and cash equivalents *	252.7
Net debt (1)	1,139.2
<b>For the twelve months ended June 30, 2017</b>	
EBITDA before charges/gains (2) <sup>(c)</sup>	823.7
<b>Net debt-to-EBITDA before charges/gains ratio (1/2)</b>	<b>1.4</b>

\* Amounts are per the unaudited Condensed Consolidated Balance Sheet as of June 30, 2017.

	<b>Six Months Ended December 31, 2016</b>	<b>Six Months Ended June 30, 2017</b>	<b>Twelve Months Ended June 30, 2017</b>
<b>EBITDA BEFORE CHARGES/GAINS <sup>(c)</sup></b>	\$ 422.2	\$ 401.5	\$ 823.7
Depreciation	\$ (47.9)	\$ (47.9)	\$ (95.8)
Amortization of intangible assets	(15.0)	(16.1)	(31.1)
Restructuring and other charges	(11.0)	(4.7)	(15.7)
Interest expense	(23.4)	(24.2)	(47.6)
Loss on sale of product line	-	(2.4)	(2.4)
Asset impairment charges	-	(3.2)	(3.2)
Defined benefit plan actuarial losses	(1.0)	-	(1.0)
Income taxes	(97.6)	(85.3)	(182.9)
<b>Income from continuing operations, net tax</b>	<b>\$ 226.3</b>	<b>\$ 217.7</b>	<b>\$ 444.0</b>

(c) 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)**

**Free Cash Flow\***

Add:

Capital Expenditures

Less:

Proceeds from the exercise of stock options

**Cash Flow From Operations (GAAP)**

<b>Twelve Months Ended December 31, 2017</b>	
\$	450.0
	135.0 - 140.0
	25.0 - 30.0
\$	560.0

\* 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 HOME PRODUCTS SEGMENTS NET SALES EXCLUDING THE IMPACT OF FOREIGN CURRENCY TO PERCENTAGE CHANGE IN NET SALES (GAAP)**  
**(Unaudited)**

**Three Months Ended June 30, 2017**

**HOME PRODUCTS SEGMENTS (CABINETS, PLUMBING & DOORS)**

**Percentage change in Home Products Segments Net Sales excluding the impact of foreign currency Q2 2017**

Impact of foreign currency Q2 2017

**Percentage change in Home Products Segments Net Sales (GAAP)**

	7%
	(1%)
	6%

Home Products Segments net sales excluding the impact of foreign currency in Q2 2017 is net sales derived in accordance with GAAP excluding the Security segment of FBHS and the impact of foreign currency in Q2 2017. Management uses this measure to evaluate the overall performance of the Home Products businesses 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 NET SALES EXCLUDING THE IMPACT OF FOREIGN CURRENCY TO PERCENTAGE CHANGE IN NET SALES (GAAP)**  
**(Unaudited)**

**Three Months Ended June 30, 2017**

**FBHS**

**Percentage change in FBHS Net Sales excluding the impact of foreign currency Q2 2017**

Impact of foreign currency Q2 2017

**Percentage change in FBHS Net Sales (GAAP)**

	6%
	(1%)
	5%

FBHS net sales excluding the impact of foreign currency in Q2 2017 is net sales derived in accordance with GAAP excluding the impact of foreign currency in Q2 2017. Management uses this measure to evaluate the overall performance of the Home Products businesses 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 ORGANIC NET SALES EXCLUDING THE IMPACT OF FOREIGN CURRENCY IN Q2 2017 TO PERCENTAGE CHANGE IN NET SALES (GAAP)**  
**(Unaudited)**

**Three Months Ended June 30, 2017**

**FBHS**

**Percentage change in Organic Net Sales excluding the impact of foreign currency in Q2 2017**

Impact of foreign currency Q2 2017

**Percentage change in Organic Net Sales**

Acquisition Net Sales

**Percentage change in Net Sales (GAAP)**

	4%
	(1%)
	3%
	2%
	5%

Organic net sales is FBHS net sales derived in accordance with GAAP excluding our 2016 acquisitions of Riobel, Rohl and Perrin & Rowe. Management uses this measure to evaluate the overall performance of FBHS 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 NET SALES EXCLUDING THE IMPACT OF FOREIGN CURRENCY IN Q2 2017 TO PERCENTAGE CHANGE IN NET SALES (GAAP)**

*(Unaudited)*

	Three months ended June 30, 2017
	% change
<b>CABINETS</b>	
<b>Percentage change in Net Sales excluding the impact of foreign currency Q2 2017</b>	<b>2%</b>
Impact of foreign currency in Q2 2017	(1%)
<b>Percentage change in Net Sales (GAAP)</b>	<b>1%</b>
<b>PLUMBING</b>	
<b>Percentage change in Net Sales excluding the impact of foreign currency Q2 2017</b>	<b>16%</b>
Impact of foreign currency in Q2 2017	(1%)
<b>Percentage change in Net Sales (GAAP)</b>	<b>15%</b>
<b>SECURITY</b>	
<b>Percentage change in Net Sales excluding the impact of foreign currency, non-repeating promotions and sales timing shift in Q2 2017</b>	<b>4%</b>
Impact of foreign currency in Q2 2017	(1%)
Impact of non-repeating promo in Q2 2017	(1%)
Impact of sales timing shift	(4%)
<b>Percentage change in Net Sales (GAAP)</b>	<b>(2%)</b>

Net sales excluding the impact of foreign currency in Q2 2017 is net sales derived in accordance with GAAP excluding the impact of currency in the second quarter of 2017. Management uses this measure to evaluate the overall performance of 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 FULL YEAR 2017 GUIDANCE DILUTED EPS BEFORE CHARGES/GAINS TO GAAP DILUTED EPS**  
**(Unaudited)**

	For the twelve months ended		
	December 31, 2017	December 31, 2016	% change
<b>Diluted EPS before charges/gains - full year range</b>	<b>\$ 3.04 - 3.12</b>	<b>\$ 2.75</b>	<b>11 - 13</b>
Diluted EPS Before Charges/Gains - Continuing Operations <sup>(d)</sup>	\$ 3.08	\$ 2.75	12
Restructuring and other charges <sup>(b)</sup>	(0.02)	(0.10)	
Asset impairment charges	(0.02)	-	
Loss on sale of product line	(0.02)	-	
Defined benefit plan actuarial losses	-	(0.01)	
Write off of prepaid debt issuance costs	-	(0.01)	
Tax item	-	(0.02)	
Diluted EPS - Continuing Operations	\$ 3.02	\$ 2.61	16
Diluted EPS - Continuing Operations - full year range	\$ 2.98 - 3.06	\$ 2.61	15 - 17

For the twelve months ended December 31, 2017 the Company is targeting diluted EPS before charges/gains from continuing operations to be in the range of \$3.04 to \$3.12 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 \$2.98 to \$3.06 per share. Included in the full year 2017 guidance reconciliation of diluted EPS before charges/gains from continuing operations to GAAP diluted EPS from continuing operations are the non-GAAP adjustments that occurred in the first half of 2017. 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, 2016, 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 \$23.2 million (\$16.5 million after tax or \$0.10 per diluted share) of restructuring and other charges, the impact of the write off of prepaid debt issuance cost of \$1.3 million (\$0.8 million after tax or \$0.01 per diluted share), expense related to tax items of \$3.1 million (\$0.02 per diluted share), and actuarial losses of \$1.9 million (\$1.3 million after tax or \$0.01 per diluted share).

(b) (d) 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, the impact of income and expense from actuarial gains or losses associated with our defined benefit plans, asset impairment charges, the loss on the sale of product line and a tax item. 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, accelerated depreciation resulting from the closure of facilities, and gains or losses on the sale of previously closed facilities. For Corporate, other charges incurred represent external costs directly related to the acquisition of Norcraft and primarily include expenditures for banking, legal, accounting and other similar services. In addition, it includes estimated acquisition related inventory step-up expense in our Plumbing segment of \$0.9 million for the six months ended June 30, 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, 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 net income from continuing operations, net of tax, less noncontrolling interests calculated on a diluted per-share basis excluding restructuring and other charges, the impact of an income tax item, the impact of income and expense from actuarial gains or losses associated with our defined benefit plans, asset impairment charges and the loss on the sale of product line. 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.