

FORTUNE BRANDS HOME & SECURITY, INC.
RECONCILIATION OF OPERATING INCOME BEFORE CHARGES/GAINS TO GAAP OPERATING INCOME

(In millions)

(Unaudited)

	Three Months Ended,			
	September 30, 2021	September 30, 2020	\$ Change	% Change
PLUMBING				
Operating income before charges/gains^(a)	\$ 167.7	\$ 123.0	\$ 44.7	36
Restructuring charges ^(b)	-	(4.0)	4.0	100
Other charges ^(b)	-	-	-	-
Cost of products sold	-	(2.4)	2.4	100
Selling, general and administrative expenses	(1.2)	-	(1.2)	(100)
Operating income (GAAP)	\$ 166.5	\$ 116.6	\$ 49.9	43
OUTDOORS & SECURITY				
Operating income before charges/gains^(a)	\$ 82.4	\$ 66.6	\$ 15.8	24
Restructuring charges ^(b)	(2.4)	(0.1)	(2.3)	(2,300)
Other charges ^(b)	-	-	-	-
Cost of products sold	-	0.3	(0.3)	(100)
Selling, general and administrative expenses	0.4	-	0.4	100
Operating income (GAAP)	\$ 80.4	\$ 66.8	\$ 13.6	20
CABINETS				
Operating income before charges/gains^(a)	\$ 69.3	\$ 80.0	\$ (10.7)	(13)
Restructuring charges ^(b)	(1.2)	2.4	(3.6)	(150)
Other charges ^(b)	-	-	-	-
Cost of products sold	(1.0)	(0.3)	(0.7)	(233)
Selling, general and administrative expenses	0.1	-	0.1	100
Operating income (GAAP)	\$ 67.2	\$ 82.1	\$ (14.9)	(18)
CORPORATE				
General and administrative expense before charges/gains	\$ (26.1)	\$ (25.4)	\$ (0.7)	(3)
Restructuring charges ^(b)	-	0.1	(0.1)	(100)
Other charges ^(b)	-	-	-	-
Selling, general and administrative expenses	(1.4)	-	(1.4)	(100)
Corporate expense (GAAP)	\$ (27.5)	\$ (25.3)	\$ (2.2)	(9)
TOTAL COMPANY				
Operating income before charges/gains^(a)	\$ 293.3	\$ 244.2	\$ 49.1	20
Restructuring charges ^(b)	(3.6)	(1.6)	(2.0)	(125)
Other charges ^(b)	-	-	-	-
Cost of products sold	(1.0)	(2.4)	1.4	58
Selling, general and administrative expenses	(2.1)	-	(2.1)	(100)
Operating income (GAAP)	\$ 286.6	\$ 240.2	\$ 46.4	19

(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 September 30,

2021	2020	Change
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PLUMBING

Before charges/gains operating margin

Restructuring & other charges

Operating margin

22.6%	20.8%	180 bps
(0.1%)	(1.1%)	
22.5%	19.7%	280 bps

OUTDOORS & SECURITY

Before charges/gains operating margin

Restructuring & other charges

Operating margin

15.6%	16.4%	(80) bps
(0.4%)	-	
15.2%	16.4%	(120) bps

CABINETS

Before charges/gains operating margin

Restructuring & other charges

Operating margin

9.7%	12.2%	(250) bps
(0.3%)	0.3%	
9.4%	12.5%	(310) bps

TOTAL COMPANY

Before charges/gains operating margin

Restructuring & other charges

Operating margin

14.8%	14.8%	0 bps
(0.4%)	(0.3%)	
14.4%	14.5%	(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, 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 September 30, 2021, diluted EPS before charges/gains is net income less noncontrolling interests calculated on a diluted per-share basis, excluding \$6.7 million (\$5.1 million after tax or \$0.03 per diluted share) of restructuring and other charges, the impact from actuarial losses associated with our defined benefit plans of \$1.1 million (\$0.8 million after tax or \$0.01 per diluted share) and a tax benefit of \$0.1 million.

For the three months ended September 30, 2020, diluted EPS before charges/gains is net income less noncontrolling interests calculated on a diluted per-share basis excluding \$4.0 million (\$4.6 million after tax or \$0.03 per diluted share) of restructuring and other charges, the impact from actuarial losses associated with our defined benefit plans of \$0.6 million (\$0.4 million after tax or \$0.01 per diluted share) and a net tax benefit of \$2.1 million (\$0.02 per diluted share).

	Three Months Ended September 30,		
	2021	2020	% Change
Earnings Per Common Share - Diluted			
Diluted EPS Before Charges/Gains ^(c)	\$ 1.49	\$ 1.19	25
Restructuring and other charges	(0.03)	(0.03)	-
Defined benefit plan actuarial losses	(0.01)	(0.01)	-
Tax items	-	0.02	(100)
Diluted EPS (GAAP)	\$ 1.45	\$ 1.17	24

(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 disposition of assets

Proceeds from the exercise of stock options

Cash Flow From Operations (GAAP)

2021 Full Year Approximation	
\$	625.0 - 675.0
	210.0 - 250.0
	1.7 - 5.0
	35.0 - 40.0
\$	798.3 - 880.0

* 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 disposition of assets including property, plant and equipment, and 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 September 30, 2021

Long-term debt **	2,629.1
Total debt	2,629.1
Less:	
Cash and cash equivalents **	460.7
Net debt (1)	2,168.4
For the twelve months ended September 30, 2021	
EBITDA before charges/gains (2) ^(d)	1,286.0
Net debt-to-EBITDA before charges/gains ratio (1/2)	1.7

** Amounts are per the Unaudited Condensed Consolidated Balance Sheet as of September 30, 2021.

	Three Months Ended December 31,	Nine Months Ended September 30,	Twelve Months Ended September 30,
	2020	2021	2021
EBITDA BEFORE CHARGES/GAINS ^(d)	\$ 291.0	\$ 995.0	\$ 1,286.0
Depreciation***	\$ (31.2)	\$ (89.0)	\$ (120.2)
Amortization of intangible assets	(10.9)	(48.5)	(59.4)
Restructuring and other charges	(13.2)	(22.7)	(35.9)
Interest expense	(19.5)	(63.2)	(82.7)
Equity in losses of affiliate	(2.9)	-	(2.9)
Gain (loss) on equity investments ^(f)	-	(4.5)	(4.5)
Defined benefit plan actuarial losses	(2.6)	(1.1)	(3.7)
Income taxes	(47.1)	(168.9)	(216.0)
Net Income (GAAP)	\$ 163.6	\$ 597.1	\$ 760.7

*** Depreciation excludes accelerated depreciation expense of (\$4.5) million for the three months ended December 31, 2020. Accelerated depreciation is included in restructuring and other charges.

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

FORTUNE BRANDS HOME & SECURITY, INC.
RECONCILIATION OF PERCENTAGE CHANGE IN TOTAL COMPANY NET SALES EXCLUDING LARSON NET SALES TO
PERCENTAGE CHANGE IN NET SALES (GAAP)

(Unaudited)

Three Months Ended September 30, 2021	
% Change	

TOTAL COMPANY

Percentage change in Total Company Net Sales excluding LARSON Net Sales

LARSON Net Sales

Percentage change in Total Company Net Sales (GAAP)

	14%
	7%
	20%

Total Company net sales excluding LARSON net sales is consolidated total Company net sales derived in accordance with GAAP excluding LARSON net sales. Management uses this measure to evaluate the overall performance of the total 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 TOTAL COMPANY NET SALES EXCLUDING LARSON NET SALES TO
PERCENTAGE CHANGE IN NET SALES (GAAP)

(Unaudited)

Twelve Months Ending December 31, 2021	
% Change	

TOTAL COMPANY

Percentage change in Total Company Net Sales excluding LARSON Net Sales

LARSON Net Sales

Percentage change in Total Company Net Sales (GAAP)

	17.5% - 18.5%
	7%
	24.5% - 25.5%

Total Company net sales excluding LARSON net sales is consolidated total Company net sales derived in accordance with GAAP excluding LARSON net sales. Management uses this measure to evaluate the overall performance of the total 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 DECKING NET SALES ADJUSTED FOR NET SALES SHIFT FROM Q2 TO Q3 IN 2020 TO PERCENTAGE CHANGE IN NET SALES (GAAP)

(Unaudited)

Three Months Ended September 30, 2021	
% Change	

DECKING

Percentage change in Decking Net Sales adjusted for Net Sales Shift

Decking Net Sales Shift from Q2 to Q3 in 2020

	20%
	(16%)
	4%

Percentage change in Decking Net Sales (GAAP)

Decking net sales adjusted for net sales shift from Q2 to Q3 in 2020 is Decking net sales derived in accordance with GAAP adjusted for shift in net sales from Q2 to Q3 in 2020. Management uses this measure to evaluate the overall performance of the Decking 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 DOORS NET SALES ADJUSTED FOR NET SALES SHIFT FROM Q2 TO Q3 IN 2020 TO PERCENTAGE CHANGE IN NET SALES (GAAP)

(Unaudited)

Three Months Ended September 30, 2021	
% Change	

DOORS

Percentage change in Doors Net Sales adjusted for Net Sales Shift

Doors Net Sales Shift from Q2 to Q3 in 2020

	14%
	(10%)
	4%

Percentage change in Doors Net Sales (GAAP)

Doors net sales adjusted for net sales shift from Q2 to Q3 in 2020 is Doors net sales derived in accordance with GAAP adjusted for shift in net sales from Q2 to Q3 in 2020. Management uses this measure to evaluate the overall performance of the Doors 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 OUTDOORS & SECURITY NET SALES EXCLUDING LARSON NET SALES
TO PERCENTAGE CHANGE IN NET SALES (GAAP)**

(Unaudited)

OUTDOORS & SECURITY

Percentage change in Outdoors & Security Net Sales excluding LARSON Net Sales
LARSON Net Sales
Percentage change in Outdoors & Security Net Sales (GAAP)

Three Months Ended September 30, 2021	
	% Change
	6%
	24%
	30%

Outdoors & Security net sales excluding LARSON net sales is Outdoors & Security net sales derived in accordance with GAAP excluding LARSON net sales. Management uses this measure to evaluate the overall performance of the Outdoors & 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 Plumbing Net Sales excluding FX Impact
FX Impact
Percentage change in Plumbing Net Sales (GAAP)

Three Months Ended September 30, 2021	
	% Change
	23%
	3%
	26%

Plumbing net sales excluding FX impact is 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 FULL YEAR 2021 GUIDANCE DILUTED EPS BEFORE CHARGES/GAINS TO GAAP DILUTED EPS

(Unaudited)

	Twelve Months Ending		
	December 31, 2021	December 31, 2020	% Change
Diluted EPS before charges/gains - full year range	\$ 5.63 - 5.73	\$ 4.19	34 - 37
Diluted EPS before charges/gains ^(c)	\$ 5.68	\$ 4.19	36
Restructuring and other charges	(0.14)	(0.19)	
Asset impairment charges ^(e)	-	(0.13)	
(Loss) gain on equity investments ^(f)	(0.02)	0.06	
Defined benefit plan actuarial losses	(0.01)	(0.02)	
Tax items	-	0.03	
Diluted EPS - (GAAP)	\$ 5.51	\$ 3.94	40
Diluted EPS - (GAAP) - full year range	\$ 5.46 - 5.56	\$ 3.94	39 - 41

For the twelve months ending December 31, 2021, diluted EPS before charges/gains is net income less noncontrolling interests calculated on a diluted per-share basis excluding restructuring and other charges, loss on equity investments, the impact from actuarial losses associated with our defined benefit plans and tax items.

For the twelve months ended December 31, 2020, diluted EPS before charges/gains is net income less noncontrolling interests calculated on a diluted per-share basis excluding \$33.2 million (\$27.1 million after tax or \$0.19 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), gain on equity investments of \$11.0 million (\$8.3 million net of tax or \$0.06 per diluted share), the impact from actuarial losses associated with our defined benefit plans of \$3.2 million (\$2.3 million after tax or \$0.02 per diluted share) and a tax benefit of \$3.8 million (\$0.03 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 (loss) before charges/gains is operating income derived in accordance with GAAP excluding restructuring and other charges. Operating income (loss) 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 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. In total, we recognized charges of \$1.7 million for the three months ended September 30, 2021, and \$2.4 million for the three months ended September 30, 2020.

At Corporate, other charges include \$1.4 million of external costs directly related to evaluation of acquisition targets during the three months ended September 30, 2021. The costs include expenditures for accounting, tax and other similar services.

(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, gain (loss) on equity investments, defined benefit plan actuarial losses 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, equity in losses of affiliate, gain (loss) 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 twelve months ended December 31, 2020 represent pre-tax impairment charges of \$22.5 million related to indefinite-lived tradenames within our Plumbing and Cabinets segments.

(f) Gain (loss) on equity investments is related to our investment in Flo Technologies.