

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

(In millions)

(Unaudited)

	Three Months Ended September 30,			
	2022	2021	\$ Change	% Change
WATER INNOVATIONS				
Operating income before charges/gains ^(a)	\$ 156.9	\$ 167.7	\$ (10.8)	(6)
Restructuring charges ^(b)	(2.9)	-	(2.9)	NM
Other (charges)/gains ^(b)				
Cost of products sold	(1.3)	-	(1.3)	(100)
Selling, general and administrative expenses	-	(1.2)	1.2	(100)
Operating income (GAAP)	\$ 152.7	\$ 166.5	\$ (13.8)	(8)
OUTDOORS & SECURITY				
Operating income before charges/gains ^(a)	\$ 90.1	\$ 82.4	\$ 7.7	9
Restructuring charges ^(b)	(18.2)	(2.4)	(15.8)	658
Other (charges)/gains ^(b)				
Selling, general and administrative expenses	(1.3)	0.4	(1.7)	(425)
Operating income (GAAP)	\$ 70.6	\$ 80.4	\$ (9.8)	(12)
CABINETS				
Operating income before charges/gains ^(a)	\$ 118.6	\$ 69.3	\$ 49.3	71
Restructuring charges ^(b)	(9.6)	(1.2)	(8.4)	700
Other (charges)/gains ^(b)				
Cost of products sold	(4.1)	(1.0)	(3.1)	310
Selling, general and administrative expenses	(4.0)	0.1	(4.1)	(4,100)
Operating income (GAAP)	\$ 100.9	\$ 67.2	\$ 33.7	50
CORPORATE				
General and administrative expenses before charges/gains	\$ (30.7)	\$ (26.1)	\$ (4.6)	18
Restructuring charges ^(b)	0.5	-	0.5	100
Other (charges)/gains ^(b)				
Selling, general and administrative expenses	(12.8)	(1.4)	(11.4)	814
Corporate expense (GAAP)	\$ (43.0)	\$ (27.5)	\$ (15.5)	56
TOTAL COMPANY				
Operating income before charges/gains ^(a)	\$ 334.9	\$ 293.3	\$ 41.6	14
Restructuring charges ^(b)	(30.2)	(3.6)	(26.6)	739
Other (charges)/gains ^(b)				
Cost of products sold	(5.4)	(1.0)	(4.4)	440
Selling, general and administrative expenses	(18.1)	(2.1)	(16.0)	762
Operating income (GAAP)	\$ 281.2	\$ 286.6	\$ (5.4)	(2)

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

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

(In millions)

(Unaudited)

	Three Months Ended September 30,			
	2022	2021	\$ Change	% Change
WATER INNOVATIONS				
Operating income before charges/gains ^(a)	\$ 156.9	\$ 167.7	\$ (10.8)	(6)
Restructuring charges ^(b)	(2.9)	-	(2.9)	NM
Other (charges)/gains ^(b)				
Cost of products sold	(1.3)	-	(1.3)	(100)
Selling, general and administrative expenses	-	(1.2)	1.2	(100)
Operating income (GAAP)	\$ 152.7	\$ 166.5	\$ (13.8)	(8)
Nets Sales	\$ 635.1	\$ 741.4	\$ (106.3)	(14)
Decremental Margin			10%	

Decremental margin is calculated as the change in operating income before charges/gains which is operating income derived in accordance with GAAP, excluding restructuring and other charges/gains divided by the change in net sales. Decremental margin 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.

FORTUNE BRANDS HOME & SECURITY, INC.

RECONCILIATION OF TOTAL COMPANY NET SALES EXCLUDING ACQUISITIONS COMPOUND ANNUAL GROWTH RATE (CAGR) TO TOTAL COMPANY NET SALES (GAAP) CAGR

(Unaudited)

TOTAL COMPANY

Total Company net sales excluding acquisitions (organic) - CAGR

Acquisitions net sales

Total Company net sales (GAAP) - CAGR

Three Months Ended September 30, 2022 vs Three Months Ended September 30, 2019	
CAGR %	
	10%
	2%
	12%

Compound Annual Growth Rate (CAGR) for Total Company net sales excluding acquisitions (organic) is CAGR for Total Company net sales derived in accordance with GAAP, excluding Larson, Solar Innovations LLC and an affiliated entity (together, "Solar"), Aqualisa Holdings (International) Ltd. ("Aqualisa") net sales and Flo Technologies, Inc. ("Flo") 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 Total Company from period to period. This measure may be inconsistent with similar measures presented by other companies.

RECONCILIATION OF TOTAL COMPANY OPERATING INCOME BEFORE CHARGES & GAINS EXCLUDING ACQUISITIONS COMPOUND ANNUAL GROWTH RATE (CAGR) TO TOTAL COMPANY OPERATING INCOME (GAAP) CAGR

(Unaudited)

TOTAL COMPANY

Total Company operating income before charges/gains excluding acquisitions (organic) - CAGR

Acquisitions operating income before charges/gains

Total Company operating income before charges/gains - CAGR

Restructuring & other (charges)/gains (b)

Asset impairment charges (f)

Total Company operating income (GAAP) - CAGR

Three Months Ended September 30, 2022 vs Three Months Ended September 30, 2019	
CAGR %	
	17%
	1%
	18%
	2%
	(1%)
	19%

Compound Annual Growth Rate (CAGR) for Total Company operating income before charges/gains excluding acquisitions (organic) is CAGR for Total Company operating income derived in accordance with GAAP, excluding restructuring & other charges/gains and asset impairment charges and excluding Larson, Solar, Aqualisa and Flo operating income before charges/gains. Management uses this measure to evaluate the returns of the Total Company and believes this measure provides investors with helpful supplemental information regarding the underlying performance of the Total Company from period to period. This measure may be inconsistent with similar measures presented by other companies.

RECONCILIATION OF WATER INNOVATIONS NET SALES EXCLUDING ACQUISITIONS COMPOUND ANNUAL GROWTH RATE (CAGR) TO WATER INNOVATIONS NET SALES (GAAP) CAGR

(Unaudited)

WATER INNOVATIONS

Water Innovations net sales excluding acquisitions (organic) - CAGR

Acquisitions net sales

Water Innovations net sales (GAAP) - CAGR

Three Months Ended September 30, 2022 vs Three Months Ended September 30, 2019	
CAGR %	
	7%
	-
	7%

Compound Annual Growth Rate (CAGR) for Water Innovations net sales excluding acquisitions (organic) is CAGR for Water Innovations net sales derived in accordance with GAAP, excluding Aqualisa and Flo net sales. Management uses this measure to evaluate the overall performance of the Water Innovations segment and believes this measure provides investors with helpful supplemental information regarding the underlying performance of the Water Innovations segment from period to period. This measure may be inconsistent with similar measures presented by other companies.

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

DILUTED EPS BEFORE CHARGES/GAINS RECONCILIATION

For the three months ended September 30, 2022, diluted EPS before charges/gains is net income calculated on a diluted per-share basis, excluding \$53.7 million (\$40.4 million after tax or \$0.32 per diluted share) of restructuring and other charges/gains, the impact for actuarial losses associated with our defined benefit plans of \$0.4 million and a tax benefit of \$12.5 million (\$0.10 per diluted share).

For the three months ended September 30, 2021, diluted EPS before charges/gains is net income 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.

	Three Months Ended September 30,		
	2022	2021	% Change
Earnings per common share - Diluted			
Diluted EPS before charges/gains ^(c)	\$ 1.79	\$ 1.49	20
Restructuring and other (charges)/gains	(0.32)	(0.03)	967
Defined benefit plan actuarial losses	-	(0.01)	(100)
Tax items	0.10	-	NM
Diluted EPS (GAAP)	\$ 1.57	\$ 1.45	8

(c) 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 September 30, 2022

Short-term debt *	\$ 600.3
Long-term debt *	2,786.9
Total debt	3,387.2
Less:	
Cash and cash equivalents *	345.3
Net debt (1)	\$ 3,041.9

For the twelve months ended September 30, 2022

EBITDA before charges/gains (2) ^(d)	\$ 1,363.6
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Net debt-to-EBITDA before charges/gains ratio (1/2)

2.2

* Amounts are per the Unaudited Condensed Consolidated Balance Sheet as of September 30, 2022.

	Three Months Ended December 31,	Nine Months Ended September 30,	Twelve Months Ended September 30,
	2021	2022	2022
EBITDA BEFORE CHARGES/GAINS ^(d)	\$ 313.3	\$ 1,050.3	\$ 1,363.6
Depreciation**	\$ (32.2)	\$ (93.1)	\$ (125.3)
Amortization of intangible assets	(15.6)	(48.9)	(64.5)
Restructuring and other (charges)/gains ^(b)	(5.4)	(59.6)	(65.0)
Interest expense	(21.1)	(85.4)	(106.5)
Asset impairment charge ^(f)	-	(26.0)	(26.0)
Defined benefit plan actuarial (losses)/gains	0.2	(0.4)	(0.2)
Income taxes	(63.9)	(159.8)	(223.7)
Net income (GAAP)	\$ 175.3	\$ 577.1	\$ 752.4

** Depreciation excludes accelerated depreciation expense of (\$0.4) million for the nine months ended September 30, 2022 and (\$0.1) million for the three months ended December 31, 2021. Accelerated depreciation is included in restructuring and other charges/gains.

(b) (d) (f) 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, 2022	September 30, 2021	Change
WATER INNOVATIONS			
Before charges/gains operating margin	24.7%	22.6%	210 bps
Restructuring & other (charges)/gains ^(b)	(0.7%)	(0.1%)	
Operating margin	24.0%	22.5%	150 bps
OUTDOORS & SECURITY			
Before charges/gains operating margin	16.1%	15.6%	50 bps
Restructuring & other (charges)/gains ^(b)	(3.5%)	(0.4%)	
Operating margin	12.6%	15.2%	(260) bps
CABINETS			
Before charges/gains operating margin	13.8%	9.7%	410 bps
Restructuring & other (charges)/gains ^(b)	(2.0%)	(0.3%)	
Operating margin	11.8%	9.4%	240 bps
TOTAL COMPANY			
Before charges/gains operating margin	16.3%	14.8%	150 bps
Restructuring & other (charges)/gains ^(b)	(2.6%)	(0.4%)	
Operating margin	13.7%	14.4%	(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/gains, 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.
BEFORE CHARGES/GAINS OPERATING MARGIN TO OPERATING MARGIN

(Unaudited)

Nine Months Ended,		
September 30, 2022	September 30, 2019	Change

WATER INNOVATIONS

Before charges/gains operating margin

Restructuring & other (charges)/gains ^(b)

Operating margin

24.3%	21.4%	290 bps
(0.4%)	(0.6%)	
24.0%	20.8%	320 bps

Three Months Ended,		
September 30, 2022	June 30, 2022	Change

OUTDOORS & SECURITY

Before charges/gains operating margin

Restructuring & other (charges)/gains ^(b)

Operating margin

16.1%	15.4%	70 bps
(3.5%)	(0.1%)	
12.6%	15.3%	(270) 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/gains, 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 FULL YEAR 2022 GUIDANCE DILUTED EPS BEFORE CHARGES/GAINS TO GAAP DILUTED EPS

(Unaudited)

	Twelve Months Ending		
	December 31, 2022	December 31, 2021	% Change
Diluted EPS before charges/gains - full year range	\$ 6.20 - 6.30	\$ 5.73	8 - 10
Diluted EPS before charges/gains ^(c)	\$ 6.25	\$ 5.73	9
Restructuring and other (charges)/gains	(0.52)	(0.17)	
Asset impairment charge ^(f)	(0.15)	-	
Loss on equity investments ^(e)	-	(0.02)	
Defined benefit plan actuarial losses	(0.01)	-	
Tax items	0.10	0.09	
Diluted EPS - (GAAP)	\$ 5.67	\$ 5.63	1
Diluted EPS - (GAAP) - full year range	\$ 5.62 - 5.72	\$ 5.63	0 - 2

For the twelve months ended December 31, 2021, diluted EPS before charges/gains is net income calculated on a diluted per-share basis excluding \$28.1 million (\$22.9 million after tax or \$0.17 per diluted share) of restructuring and other charges/gains, including costs for banking, legal, accounting and other similar services directly related to the separation of FBHS and its Cabinets business and \$2.2 million of mark-to-market expense classified in the other expense, net associated with the acquisition of the remaining outstanding shares of Flo, which occurred in January 2022, loss on equity investments of \$4.5 million (\$3.4 million net of tax or \$0.02 per diluted share), the impact from actuarial losses associated with our defined benefit plans of \$1.0 million (\$0.7 million net of tax) and a net tax expense of \$0.2 million. In addition, we have excluded from this reconciliation the one-time external costs that are contingent on the separation between FBHS and its Cabinets business occurring, for which the timing is unknown. We estimate that these expenses will be in the range of \$0.28 to \$0.32 per diluted share and will be excluded from our diluted EPS before charges and gains.

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

FORTUNE BRANDS HOME & SECURITY, INC.

RECONCILIATION OF PERCENTAGE CHANGE IN OUTDOORS & SECURITY NET SALES EXCLUDING FX IMPACT AND ACQUISITIONS NET SALES TO PERCENTAGE CHANGE IN OUTDOORS & SECURITY NET SALES (GAAP)

(Unaudited)

	Three Months Ended September 30, 2022
	% Change
OUTDOORS & SECURITY	
Percentage change in Outdoors & Security net sales excluding FX impact and acquisitions (organic)	5%
Acquisitions net sales	2%
FX impact	(1%)
Percentage change in Outdoors & Security net sales (GAAP)	6%

Outdoors & Security net sales excluding FX impact and acquisitions (organic) net sales is Outdoors & Security net sales derived in accordance with GAAP, excluding the impact of FX on net sales and Solar 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 WATER INNOVATIONS NET SALES EXCLUDING FX IMPACT AND ACQUISITIONS TO PERCENTAGE CHANGE IN WATER INNOVATIONS NET SALES (GAAP)

(Unaudited)

	Three Months Ended September 30, 2022
	% Change
WATER INNOVATIONS	
Percentage change in Water Innovations net sales excluding FX impact and acquisitions (organic)	(14%)
Acquisitions net sales	1%
FX impact	(1%)
Percentage change in Water Innovations net sales (GAAP)	(14%)

Water Innovations net sales excluding FX impact and acquisitions (organic) is Water Innovations net sales derived in accordance with GAAP, excluding the impact of FX on net sales and Aqualisa net sales. Management uses this measure to evaluate the overall performance of the Water Innovations 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.
FREE CASH FLOW GUIDANCE TO GAAP CASH FLOW FROM OPERATIONS

(In millions)

(Unaudited)

	2022 Full Year Approximation
Free cash flow*	\$ 400.0 - 450.0
Add:	
Capital expenditures	250.0 - 275.0
Less:	
Proceeds from the disposition of assets	8.0
Proceeds from the exercise of stock options	1.0
Cash flow from operations (GAAP)	\$ 640.9 - 715.9

* 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.

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/gains and asset impairment 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. Restructuring charges totaled \$30.2 million and \$33.1 million for the three months and nine months ended September 30, 2022, respectively. Restructuring charges totaled \$3.6 million for the three months ended September 30, 2021. Restructuring charges for the three months ended December 31, 2021, totaled \$1.9 million. Restructuring charges for the three months ended September 30, 2021, totaled \$5.5 million. "Other charges/gains" 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 other charges of \$4.1 million and \$0.9 million for the three and nine months ended September 30, 2022, respectively, and other charges of \$1.7 million for the three ended September 30, 2021.

In our Water Innovations segment, other charges also include an acquisition-related inventory step-up expense for Aqualisa of \$1.3 million classified in cost of products sold for the three and nine months ended September 30, 2022.

In our Outdoors & Security segment, other charges also include \$1.0 million classified in selling, general and administrative for a compensation arrangement with the former owner of Solar for the three ended September 30, 2022. Other charges also include \$0.6 million classified in selling, general and administrative for a compensation arrangement with the former owner of Solar for the three months ended June 30, 2022.

In our Cabinets segment, other charges also include expenditures of \$3.7 million for the three months ended September 30, 2022 incurred directly by Cabinets and related to the separation of FBHS and our Cabinets segment. These charges include accounting and other similar services related to our separation activities. In addition, \$0.6 million of Cabinets public company expenses are included in our Corporate expenses before charges and gains, but included in our Cabinets segment GAAP operating income.

At Corporate, other charges also include expenditures of \$12.3 million for the three ended September 30, 2022, incurred directly by Corporate for banking, legal, accounting and other similar services directly related to the separation of FBHS and its Cabinets business. Other charges also include expenditures of \$1.1 million for the three ended September 30, 2022 for banking, legal, accounting and other similar services directly related to the acquisition of Aqualisa. Other charges also include \$1.4 million of external costs directly related to evaluation of acquisition targets during the three ended September 30, 2021. These costs include expenditures for accounting, tax and other similar services.

(c) Diluted EPS before charges/gains is net income calculated on a diluted per-share basis, excluding restructuring and other charges/gains, asset impairment charges, 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/gains, asset impairment charges, interest expense, defined benefit plan actuarial losses/gains 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) Loss on equity investments is related to our investment in Flo Technologies.

(f) Asset impairment charges for the nine months ended September 30, 2022, represent a pre-tax impairment charge of \$26.0 million related to an indefinite-lived tradename in our Cabinets segment. Asset impairment charges for the three months ended September 30, 2019, represent a pre-tax impairment of \$29.5 million related to an indefinite-lived tradename in our Cabinets segment.