

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

(In millions)  
(Unaudited)

	Three Months Ended				Nine Months Ended			
	September 30, 2020	September 30, 2019	\$ change	% change	September 30, 2020	September 30, 2019	\$ change	% change
<b>PLUMBING</b>								
<b>Operating income before charges/gains <sup>(a)</sup></b>	\$ 123.0	\$ 112.0	\$ 11.0	10	\$ 350.9	\$ 317.0	\$ 33.9	11
Restructuring charges <sup>(b)</sup>	(4.0)	(0.2)	(3.8)	(1,900)	(7.2)	(3.5)	(3.7)	(106)
Other charges <sup>(b)</sup>								
Cost of products sold	(2.4)	0.3	(2.7)	(900)	(1.8)	(3.0)	1.2	40
Selling, general and administrative expenses	-	(0.1)	0.1	100	1.7	(2.6)	4.3	165
Asset impairment charges <sup>(c)</sup>	-	-	-	-	(13.0)	-	(13.0)	(100)
<b>Operating income (GAAP)</b>	\$ 116.6	\$ 112.0	\$ 4.6	4	\$ 330.6	\$ 307.9	\$ 22.7	7
<b>DOORS &amp; SECURITY</b>								
<b>Operating income before charges/gains <sup>(a)</sup></b>	\$ 66.6	\$ 51.6	\$ 15.0	29	\$ 147.2	\$ 127.9	\$ 19.3	15
Restructuring charges <sup>(b)</sup>	(0.1)	(1.5)	1.4	93	(3.2)	(1.6)	(1.6)	(100)
Other charges <sup>(b)</sup>								
Cost of products sold	0.3	-	0.3	100	(0.5)	(3.8)	3.3	87
<b>Operating income (GAAP)</b>	\$ 66.8	\$ 50.1	\$ 16.7	33	\$ 143.5	\$ 122.5	\$ 21.0	17
<b>CABINETS</b>								
<b>Operating income before charges/gains <sup>(a)</sup></b>	\$ 80.0	\$ 58.8	\$ 21.2	36	\$ 179.9	\$ 170.7	\$ 9.2	5
Restructuring charges <sup>(b)</sup>	2.4	(3.8)	6.2	163	(4.7)	(6.1)	1.4	23
Other charges <sup>(b)</sup>								
Cost of products sold	(0.3)	(0.1)	(0.2)	(200)	(2.4)	(0.3)	(2.1)	(700)
Selling, general and administrative expenses	-	(0.3)	0.3	100	(0.2)	(0.8)	0.6	75
Asset impairment charges <sup>(c)</sup>	-	(29.5)	29.5	100	(9.5)	(29.5)	20.0	68
<b>Operating income (GAAP)</b>	\$ 82.1	\$ 25.1	\$ 57.0	227	\$ 163.1	\$ 134.0	\$ 29.1	22
<b>CORPORATE</b>								
<b>General and administrative expense before charges/gains</b>	\$ (25.4)	\$ (19.2)	\$ (6.2)	(32)	\$ (67.3)	\$ (58.4)	\$ (8.9)	(15)
Restructuring charges <sup>(b)</sup>	0.1	-	0.1	100	(1.4)	-	(1.4)	(100)
Other charges <sup>(b)</sup>								
Selling, general and administrative expenses	-	-	-	-	(0.3)	-	(0.3)	(100)
<b>Total Corporate expense (GAAP)</b>	\$ (25.3)	\$ (19.2)	\$ (6.1)	(32)	\$ (69.0)	\$ (58.4)	\$ (10.6)	(18)
<b>TOTAL COMPANY</b>								
<b>Operating income before charges/gains <sup>(a)</sup></b>	\$ 244.2	\$ 203.2	\$ 41.0	20	\$ 610.7	\$ 557.2	\$ 53.5	10
Restructuring charges <sup>(b)</sup>	(1.6)	(5.5)	3.9	71	(16.5)	(11.2)	(5.3)	(47)
Other charges <sup>(b)</sup>								
Cost of products sold	(2.4)	0.2	(2.6)	(1,300)	(4.7)	(7.1)	2.4	34
Selling, general and administrative expenses	-	(0.4)	0.4	100	1.2	(3.4)	4.6	135
Asset impairment charges <sup>(c)</sup>	-	(29.5)	29.5	100	(22.5)	(29.5)	7.0	24
<b>Operating income (GAAP)</b>	\$ 240.2	\$ 168.0	\$ 72.2	43	\$ 568.2	\$ 506.0	\$ 62.2	12

(a) (b) (e) 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,		
2020	2019	Change

**PLUMBING**

**Before charges/gains operating margin**  
 Restructuring & other charges  
**Operating margin**

20.8%	21.8%	(100) bps
(1.1%)	-	
19.7%	21.8%	(210) bps

**DOORS & SECURITY**

**Before charges/gains operating margin**  
 Restructuring & other charges  
**Operating margin**

16.4%	14.5%	190 bps
-	(0.4%)	
16.4%	14.1%	230 bps

**CABINETS**

**Before charges/gains operating margin**  
 Restructuring & other charges  
 Asset impairment charges  
**Operating margin**

12.2%	10.0%	220 bps
0.3%	(0.7%)	
-	(5.0%)	
12.5%	4.3%	820 bps

**TOTAL COMPANY**

**Before charges/gains operating margin**  
 Restructuring & other charges  
 Asset impairment charges  
**Operating margin**

14.8%	13.9%	90 bps
(0.3%)	(0.4%)	
-	(2.0%)	
14.5%	11.5%	300 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 asset impairment 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, 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).

For the nine months ended September 30, 2020, diluted EPS before charges/gains is net income less noncontrolling interests calculated on a diluted per-share basis excluding \$20.0 million (\$16.7 million after tax or \$0.11 per diluted share) of restructuring and other charges, intangible asset impairment charges of \$22.5 million (\$17.6 million after tax or \$0.13 per diluted share), gains 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 \$0.6 million (\$0.4 million after tax) and a tax benefit of \$4.2 million (\$0.02 per diluted share).

For the three months ended September 30, 2019, diluted EPS before charges/gains is net income less noncontrolling interests calculated on a diluted per-share basis excluding \$5.7 million (\$4.4 million after tax or \$0.03 per diluted share) of restructuring and other charges, intangible asset impairment charges of \$29.5 million (\$22.5 million after tax or \$0.16 per diluted share), the impact from actuarial losses associated with our defined benefit plans of \$2.1 million (\$1.6 million after tax or \$0.01 per diluted share) and a tax benefit of \$0.2 million.

For the nine months ended September 30, 2019, diluted EPS before charges/gains is net income less noncontrolling interests calculated on a diluted per-share basis excluding \$21.7 million (\$16.6 million after tax or \$0.11 per diluted share) of restructuring and other charges, intangible asset impairment charges of \$29.5 million (\$22.5 million after tax or \$0.16 per diluted share), the impact from actuarial losses associated with our defined benefit plans of \$2.1 million (\$1.6 million after tax or \$0.01 per diluted share) and a net tax benefit of \$0.6 million.

	<b>Three Months Ended September 30,</b>			<b>Nine Months Ended September 30,</b>		
	<b>2020</b>	<b>2019</b>	<b>% Change</b>	<b>2020</b>	<b>2019</b>	<b>% Change</b>
<b>Earnings Per Common Share - Diluted</b>						
Diluted EPS Before Charges/Gains <sup>(c)</sup>	\$ 1.19	\$ 0.95	25	\$ 2.94	\$ 2.60	13
Restructuring and other charges	(0.03)	(0.03)	-	(0.11)	(0.11)	-
Asset impairment charges <sup>(e)</sup>	-	(0.16)	100	(0.13)	(0.16)	19
Gains on equity investments <sup>(f)</sup>	-	-	-	0.06	-	-
Defined benefit plan actuarial losses	(0.01)	(0.01)	-	-	(0.01)	100
Tax items	0.02	-	-	0.02	-	-
<b>Diluted EPS (GAAP)</b>	<b>\$ 1.17</b>	<b>\$ 0.75</b>	<b>56</b>	<b>\$ 2.78</b>	<b>\$ 2.32</b>	<b>20</b>

### **RECONCILIATION OF FULL YEAR 2020 EARNINGS GUIDANCE TO GAAP**

The Company is targeting diluted EPS before charges/gains to be in the range of \$4.03 to \$4.11 per share. For the full year, on a GAAP basis, the Company is targeting diluted EPS to be in the range of \$3.85 to \$3.93 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 2020.

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

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

**RECONCILIATION OF EBITDA BEFORE CHARGES/GAINS TO NET INCOME**

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2020	2019	% Change	2020	2019	% Change
<b>EBITDA BEFORE CHARGES/GAINS <sup>(d)</sup></b>	\$ 284.1	\$ 242.2	17	\$ 726.6	\$ 672.3	8
Depreciation*	\$ (26.7)	\$ (26.7)	-	\$ (81.8)	\$ (80.8)	(1)
Amortization of intangible assets	(10.5)	(9.9)	(6)	(31.1)	(30.0)	(4)
Restructuring and other charges	(4.0)	(5.7)	30	(20.0)	(21.7)	8
Interest expense	(20.1)	(23.6)	15	(64.4)	(71.8)	10
Asset impairment charges <sup>(e)</sup>	-	(29.5)	100	(22.5)	(29.5)	24
Equity in losses of affiliate	(2.4)	-	(100)	(4.7)	-	(100)
Gains on equity investments <sup>(f)</sup>	-	-	-	11.0	-	100
Defined benefit plan actuarial losses	(0.6)	(2.1)	71	(0.6)	(2.1)	71
Income taxes	(54.0)	(39.0)	(38)	(121.7)	(109.1)	(12)
<b>Net Income (GAAP)</b>	\$ 165.8	\$ 105.7	57	\$ 390.8	\$ 327.3	19

\* Depreciation excludes accelerated depreciation expense of (\$2.1) million and (\$4.0) million for the three and nine months ended September 30, 2020, respectively. For the nine months ended September 30, 2019 depreciation excludes accelerated depreciation expense of (\$1.9) million. Accelerated depreciation is included in restructuring and other charges.

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

**As of September 30, 2020**

Short-term debt **	-
Long-term debt **	2,086.5
Total debt	2,086.5
Less:	
Cash and cash equivalents **	464.5
Net debt (1)	1,622.0
<b>For the twelve months ended September 30, 2020</b>	
EBITDA before charges/gains (2) <sup>(d)</sup>	974.2
<b>Net debt-to-EBITDA before charges/gains ratio (1/2)</b>	1.7

\*\* Amounts are per the unaudited Condensed Consolidated Balance Sheet as of September 30, 2020.

	Three Months Ended December 31, 2019	Nine Months Ended September 30, 2020	Twelve Months Ended September 30, 2020
<b>EBITDA BEFORE CHARGES/GAINS <sup>(d)</sup></b>	\$ 247.6	\$ 726.6	\$ 974.2
Depreciation***	\$ (28.6)	\$ (81.8)	\$ (110.4)
Amortization of intangible assets	(11.4)	(31.1)	(42.5)
Restructuring and other charges	(2.3)	(20.0)	(22.3)
Interest expense	(22.4)	(64.4)	(86.8)
Asset impairment charges <sup>(e)</sup>	(12.0)	(22.5)	(34.5)
Equity in losses of affiliate	-	(4.7)	(4.7)
Gains on equity investments <sup>(f)</sup>	-	11.0	11.0
Defined benefit plan actuarial losses	(32.0)	(0.6)	(32.6)
Income taxes	(34.9)	(121.7)	(156.6)
<b>Net Income (GAAP)</b>	\$ 104.0	\$ 390.8	\$ 494.8

\*\*\* Depreciation excludes accelerated depreciation expense of (\$4.0) million for the nine months ended September 30, 2020. 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.**  
**BEFORE CHARGES/GAINS OPERATING MARGIN TO OPERATING MARGIN**  
*(Unaudited)*

Twelve Months Ended December 31,	
2020	

**PLUMBING**

**Before charges/gains operating margin**

Restructuring & other charges

Asset Impairment charge

**Operating margin**

	22.0%
	(0.4%)
	(0.6%)
	21.0%

**TOTAL COMPANY**

**Before charges/gains operating margin**

Restructuring & other charges

Asset impairment charges

**Operating margin**

	13.9%
	(0.4%)
	(0.3%)
	13.2%

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 asset impairment 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.**  
**FREE CASH FLOW GUIDANCE TO GAAP CASH FLOW FROM**  
*(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)**

<b>2020 full year approximation</b>	
\$	590.0 - 620.0
	120.0 - 155.0
	1.5
	56.0
<b>\$</b>	<b>652.5 - 712.5</b>

\* 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 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.

## 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 asset impairment 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 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 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 expense, impairments related to previously closed facilities and losses on the sale of closed facilities. In total, we recognized a charge of \$2.4 million and \$3.5 million for the three and nine months ended September 30, 2020, respectively, and \$0.2 million and \$10.5 million for the three and nine months ended September 30, 2019, respectively.

In our Doors & Security segment, other charges also includes an acquisition-related inventory step-up expense (Fiberon) classified in cost of products sold of \$1.8 million for the nine months ended September 30, 2019.

(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, gains on equity investments, amortization of differences between equity investment and the carrying value of equity, actuarial losses associated with our defined benefit plans 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, asset impairment charges, equity in loss of affiliate, gains 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 nine months ended September 30, 2020 represent pre-tax impairment charges of \$22.5 million related to indefinite-lived tradenames in our Cabinets and Plumbing segments. Asset impairment charges for the three and nine months ended September 30, 2019 represent a pre-tax impairment of \$29.5 million related to an indefinite-lived tradename in our Cabinets segment. It also includes a \$1.7 million fair value asset impairment expense classified in cost of products sold, for the nine months ended September 30, 2019 associated with an idle manufacturing facility in our Doors & Security segment.

(f) Gains on equity investments for the three and nine months ended September 30, 2020 represents gains related to our 2020 investments in Flo Technologies.