

**FORTUNE BRANDS HOME & SECURITY, INC.**

**RECONCILIATION OF OPERATING INCOME BEFORE CHARGES/GAINS TO GAAP OPERATING INCOME**

(In millions)

(Unaudited)

	Three Months Ended June 30,			
	2022	2021	\$ Change	% Change
<b>WATER INNOVATIONS</b>				
<b>Operating income before charges/gains</b> <sup>(a)</sup>	\$ 161.6	\$ 169.0	\$ (7.4)	(4)
Restructuring charges <sup>(b)</sup>	(0.9)	-	(0.9)	NM
Other (charges)/gains <sup>(b)</sup>				
Cost of products sold	-	0.1	(0.1)	(100)
Selling, general and administrative expenses	-	(0.2)	0.2	(100)
<b>Operating income (GAAP)</b>	<b>\$ 160.7</b>	<b>\$ 168.9</b>	<b>\$ (8.2)</b>	<b>(5)</b>
<b>OUTDOORS &amp; SECURITY</b>				
<b>Operating income before charges/gains</b> <sup>(a)</sup>	\$ 93.2	\$ 78.5	\$ 14.7	19
Restructuring charges <sup>(b)</sup>	(0.1)	-	(0.1)	NM
Other (charges)/gains <sup>(b)</sup>				
Selling, general and administrative expenses	(0.6)	-	(0.6)	NM
<b>Operating income (GAAP)</b>	<b>\$ 92.5</b>	<b>\$ 78.5</b>	<b>\$ 14.0</b>	<b>18</b>
<b>CABINETS</b>				
<b>Operating income before charges/gains</b> <sup>(a)</sup>	\$ 98.5	\$ 76.9	\$ 21.6	28
Restructuring charges <sup>(b)</sup>	(1.3)	(0.3)	(1.0)	333
Other (charges)/gains <sup>(b)</sup>				
Cost of products sold	(2.2)	(2.1)	(0.1)	5
Selling, general and administrative expenses	(0.2)	(0.1)	(0.1)	100
Asset impairment charge <sup>(f)</sup>	(26.0)	-	(26.0)	NM
<b>Operating income (GAAP)</b>	<b>\$ 68.8</b>	<b>\$ 74.4</b>	<b>\$ (5.6)</b>	<b>(8)</b>
<b>CORPORATE</b>				
<b>General and administrative expense before charges/gains</b>	\$ (33.5)	\$ (26.9)	\$ (6.6)	25
Other (charges)/gains <sup>(b)</sup>				
Selling, general and administrative expenses	(4.4)	-	(4.4)	NM
<b>Corporate expense (GAAP)</b>	<b>\$ (37.9)</b>	<b>\$ (26.9)</b>	<b>\$ (11.0)</b>	<b>41</b>
<b>TOTAL COMPANY</b>				
<b>Operating income before charges/gains</b> <sup>(a)</sup>	\$ 319.8	\$ 297.5	\$ 22.3	7
Restructuring charges <sup>(b)</sup>	(2.3)	(0.3)	(2.0)	667
Other (charges)/gains <sup>(b)</sup>				
Cost of products sold	(2.2)	(2.0)	(0.2)	10
Selling, general and administrative expenses	(5.2)	(0.3)	(4.9)	1,633
Asset impairment charge <sup>(f)</sup>	(26.0)	-	(26.0)	NM
<b>Operating income (GAAP)</b>	<b>\$ 284.1</b>	<b>\$ 294.9</b>	<b>\$ (10.8)</b>	<b>(4)</b>

(a) (b) (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,			Three Months Ended,		
	June 30, 2022	June 30, 2021	Change	June 30, 2022	March 31, 2022	Change
<b>WATER INNOVATIONS</b>						
<b>Before charges/gains operating margin</b>	24.9%	24.3%	60 bps	24.9%	23.3%	160 bps
Restructuring & other (charges)/gains	(0.2%)	-		(0.2%)	(0.1%)	
<b>Operating margin</b>	24.7%	24.3%	40 bps	24.7%	23.2%	150 bps
<b>OUTDOORS &amp; SECURITY</b>						
<b>Before charges/gains operating margin</b>	15.4%	14.7%	70 bps	15.4%	11.2%	420 bps
Restructuring & other (charges)/gains	(0.1%)	-		(0.1%)	0.9%	
<b>Operating margin</b>	15.3%	14.7%	60 bps	15.3%	12.1%	320 bps
<b>CABINETS</b>						
<b>Before charges/gains operating margin</b>	11.5%	10.9%	60 bps	11.5%	9.5%	200 bps
Restructuring & other (charges)/gains	(0.4%)	(0.4%)		(0.4%)	-	
Asset impairment charge	(3.1%)	-		(3.1%)	-	
<b>Operating margin</b>	8.0%	10.5%	(250) bps	8.0%	9.5%	(150) bps
<b>TOTAL COMPANY</b>						
<b>Before charges/gains operating margin</b>	15.1%	15.4%	(30) bps	15.1%	13.0%	210 bps
Restructuring & other (charges)/gains	(0.4%)	(0.2%)		(0.4%)	0.2%	
Asset impairment charge	(1.2%)	-		(1.2%)	-	
<b>Operating margin</b>	13.5%	15.2%	(170) bps	13.5%	13.2%	30 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 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 June 30, 2022, diluted EPS before charges/gains is net income calculated on a diluted per-share basis, excluding \$9.7 million (\$7.3 million after tax or \$0.06 per diluted share) of restructuring and other charges/gains and asset impairment charges of \$26.0 million (\$19.6 million after tax or \$0.15 per diluted share).

For the three months ended June 30, 2021, diluted EPS before charges/gains is net income less noncontrolling interests calculated on a diluted per-share basis, excluding \$2.6 million (\$1.9 million after tax or \$0.01 per diluted share) of restructuring and other charges/gains and a tax expense of \$0.2 million.

	Three Months Ended June 30,		
	2022	2021	% Change
<b>Earnings per common share - Diluted</b>			
Diluted EPS before charges/gains <sup>(c)</sup>	\$ 1.67	\$ 1.56	7
Restructuring and other (charges)/gains	(0.06)	(0.01)	500
Asset impairment charge <sup>(f)</sup>	(0.15)	-	NM
Tax items	-	-	-
<b>Diluted EPS (GAAP)</b>	<b>\$ 1.46</b>	<b>\$ 1.55</b>	<b>(6)</b>

(c) (f) 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, 2022**

Long-term debt **	\$ 3,357.9
Total debt	3,357.9
Less:	
Cash and cash equivalents **	360.6
Net debt (1)	\$ 2,997.3

**For the twelve months ended June 30, 2022**

EBITDA before charges/gains (2) <sup>(d)</sup>	\$ 1,319.5
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<b>Net debt-to-EBITDA before charges/gains ratio (1/2)</b>	<b>2.3</b>
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\*\* Amounts are per the Unaudited Condensed Consolidated Balance Sheet as of June 30, 2022.

	Six Months Ended December 31,	Six Months Ended June 30,	Twelve Months Ended June 30,
	2021	2022	2022
<b>EBITDA BEFORE CHARGES/GAINS <sup>(d)</sup></b>	\$ 655.0	\$ 664.5	\$ 1,319.5
Depreciation***	\$ (62.3)	\$ (61.5)	\$ (123.8)
Amortization of intangible assets	(31.5)	(32.1)	(63.6)
Restructuring and other (charges)/gains	(12.1)	(5.9)	(18.0)
Interest expense	(41.8)	(52.3)	(94.1)
Asset impairment charge <sup>(f)</sup>	-	(26.0)	(26.0)
Defined benefit plan actuarial losses	(0.9)	-	(0.9)
Income taxes	(129.0)	(113.8)	(242.8)
<b>Net income (GAAP)</b>	<b>\$ 377.4</b>	<b>\$ 372.9</b>	<b>\$ 750.3</b>

\*\*\* Depreciation excludes accelerated depreciation expense of (\$0.2) million for the six months ended June 30, 2022 and (\$0.1) million for the six months ended December 31, 2021. Accelerated depreciation is included in restructuring and other charges/gains.

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

**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
<b>Diluted EPS before charges/gains - full year range</b>	<b>\$ 6.36 - 6.50</b>	<b>\$ 5.73</b>	<b>11 - 13</b>
Diluted EPS before charges/gains <sup>(c)</sup>	\$ 6.43	\$ 5.73	12
Restructuring and other (charges)/gains	(0.20)	(0.17)	
Asset impairment charge <sup>(f)</sup>	(0.15)	-	
Loss on equity investments <sup>(e)</sup>	-	(0.02)	
Tax items	0.10	-	
Diluted EPS - (GAAP)	\$ 6.18	\$ 5.54	12
Diluted EPS - (GAAP) - full year range	\$ 6.11 - 6.25	\$ 5.54	10 - 13

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 WATER INNOVATIONS NET SALES EXCLUDING FX IMPACT TO PERCENTAGE CHANGE IN WATER INNOVATIONS NET SALES (GAAP)**

*(Unaudited)*

Three Months Ended June 30, 2022
% Change

**Water Innovations**

**Percentage change in Water Innovations net sales excluding FX impact**

FX impact

**Percentage change in Water Innovations net sales (GAAP)**

(5%)
(1%)
(6%)

Water Innovations net sales excluding FX impact is Water Innovations 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 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.**

**RECONCILIATION OF PERCENTAGE CHANGE IN WATER INNOVATIONS NET SALES EXCLUDING CHINA NET SALES TO PERCENTAGE CHANGE IN WATER INNOVATIONS NET SALES (GAAP)**

*(Unaudited)*

Three Months Ended June 30, 2022
% Change

**Water Innovations**

**Percentage change in Water Innovations net sales excluding China**

China net sales

**Percentage change in Water Innovations net sales (GAAP)**

4%
(10%)
(6%)

Water Innovations net sales excluding China net sales is Water Innovations net sales derived in accordance with GAAP, excluding China 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)

**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>Twelve Months Ended December 31, 2021</b>	<b>2022 Full Year Approximation</b>
\$	518.2	\$ 590.0 - 630.0
	214.2	300.0 - 330.0
	1.9	8.0
	41.8	1.0
\$	<b>688.7</b>	<b>\$ 881.0 - 951.0</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 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. "Other charges/gains" represent pre-tax 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 net charges/(gains) of \$2.4 million for the three months ended June 30, 2022 and other charges of \$2.3 million for the three months ended June 30, 2021.

In our Outdoors & Security segment, 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.

At Corporate, other charges also include pre-tax expenditures of \$4.4 million directly related to the separation of FBHS and its Cabinets business for the three months ended June 30, 2022.

(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 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 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 three and six months ended June 30, 2022, represent a pre-tax impairment charge of \$26.0 million related to an indefinite-lived tradename in our Cabinets segment.