

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

(In millions)

(Unaudited)

	Three Months Ended,				Twelve Months Ended,			
	December 31, 2021	December 31, 2020	\$ Change	% Change	December 31, 2021	December 31, 2020	\$ Change	% Change
PLUMBING								
Operating income before charges/gains ^(a)	\$ 146.6	\$ 138.7	\$ 7.9	6	\$ 632.7	\$ 489.6	\$ 143.1	29
Restructuring charges ^(b)	1.2	1.2	-	-	1.1	(6.0)	7.1	(118)
Other charges ^(b)	-	-	-	-	-	-	-	-
Cost of products sold	(0.6)	(2.6)	2.0	(77)	(2.0)	(4.4)	2.4	(55)
Selling, general and administrative expenses	(0.7)	-	(0.7)	(100)	(2.1)	1.7	(3.8)	(224)
Asset impairment charges ^(e)	-	-	-	-	-	(13.0)	13.0	(100)
Operating income (GAAP)	\$ 146.5	\$ 137.3	\$ 9.2	7	\$ 629.7	\$ 467.9	\$ 161.8	35
OUTDOORS & SECURITY								
Operating income before charges/gains ^(a)	\$ 81.8	\$ 58.0	\$ 23.8	41	\$ 305.0	\$ 205.2	\$ 99.8	49
Restructuring charges ^(b)	(1.9)	0.2	(2.1)	(1,050)	(10.4)	(3.0)	(7.4)	247
Other charges ^(b)	-	-	-	-	-	-	-	-
Cost of products sold	-	(0.4)	0.4	(100)	(3.4)	(0.9)	(2.5)	278
Selling, general and administrative expenses	0.2	-	0.2	100	0.7	-	0.7	100
Operating income (GAAP)	\$ 80.1	\$ 57.8	\$ 22.3	39	\$ 291.9	\$ 201.3	\$ 90.6	45
CABINETS								
Operating income before charges/gains ^(a)	\$ 66.5	\$ 76.1	\$ (9.6)	(13)	\$ 287.2	\$ 256.0	\$ 31.2	12
Restructuring charges ^(b)	(1.2)	(0.8)	(0.4)	50	(4.2)	(5.5)	1.3	(24)
Other charges ^(b)	-	-	-	-	-	-	-	-
Cost of products sold	(0.2)	(2.7)	2.5	(93)	(3.7)	(5.1)	1.4	(27)
Selling, general and administrative expenses	-	-	-	-	-	(0.2)	0.2	(100)
Asset impairment charges ^(e)	-	-	-	-	-	(9.5)	9.5	(100)
Operating income (GAAP)	\$ 65.1	\$ 72.6	\$ (7.5)	(10)	\$ 279.3	\$ 235.7	\$ 43.6	18
CORPORATE								
General and administrative expense before charges/gains	\$ (31.2)	\$ (26.4)	\$ (4.8)	18	\$ (108.6)	\$ (93.7)	\$ (14.9)	16
Restructuring charges ^(b)	-	-	-	-	-	(1.4)	1.4	(100)
Other charges ^(b)	-	-	-	-	-	-	-	-
Selling, general and administrative expenses	-	(8.1)	8.1	(100)	(1.9)	(8.4)	6.5	(77)
Corporate expense (GAAP)	\$ (31.2)	\$ (34.5)	\$ 3.3	(10)	\$ (110.5)	\$ (103.5)	\$ (7.0)	7
TOTAL COMPANY								
Operating income before charges/gains ^(a)	\$ 263.7	\$ 246.4	\$ 17.3	7	\$ 1,116.3	\$ 857.1	\$ 259.2	30
Restructuring charges ^(b)	(1.9)	0.6	(2.5)	(417)	(13.5)	(15.9)	2.4	(15)
Other charges ^(b)	-	-	-	-	-	-	-	-
Cost of products sold	(0.8)	(5.7)	4.9	(86)	(9.1)	(10.4)	1.3	(13)
Selling, general and administrative expenses	(0.5)	(8.1)	7.6	(94)	(3.3)	(6.9)	3.6	(52)
Asset impairment charges ^(e)	-	-	-	-	-	(22.5)	22.5	(100)
Operating income (GAAP)	\$ 260.5	\$ 233.2	\$ 27.3	12	\$ 1,090.4	\$ 801.4	\$ 289.0	36

(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 December 31,			Twelve Months Ended December 31,		
	2021	2020	Change	2021	2020	Change
PLUMBING						
Before charges/gains operating margin	20.8%	21.8%	(100) bps	22.9%	22.2%	70 bps
Restructuring & other charges	-	(0.3%)		(0.1%)	(0.4%)	
Asset impairment charges	-	-		-	(0.6%)	
Operating margin	20.8%	21.5%	(70) bps	22.8%	21.2%	160 bps
OUTDOORS & SECURITY						
Before charges/gains operating margin	15.9%	15.8%	10 bps	14.9%	14.5%	40 bps
Restructuring & other charges	(0.3%)	-		(0.6%)	(0.3%)	
Operating margin	15.6%	15.8%	(20) bps	14.3%	14.2%	10 bps
CABINETS						
Before charges/gains operating margin	8.9%	11.6%	(270) bps	10.1%	10.4%	(30) bps
Restructuring & other charges	(0.1%)	(0.5%)		(0.3%)	(0.5%)	
Asset impairment charges	-	-		-	(0.4%)	
Operating margin	8.8%	11.1%	(230) bps	9.8%	9.5%	30 bps
TOTAL COMPANY						
Before charges/gains operating margin	13.4%	14.8%	(140) bps	14.6%	14.1%	50 bps
Restructuring & other charges	(0.1%)	(0.7%)		(0.4%)	(0.5%)	
Asset impairment charges	-	-		-	(0.4%)	
Operating margin	13.3%	14.1%	(80) bps	14.2%	13.2%	100 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 December 31, 2021, diluted EPS before charges/gains is net income less noncontrolling interests calculated on a diluted per-share basis, excluding \$5.4 million (\$5.9 million after tax or \$0.04 per diluted share) of restructuring and other charges, including \$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, the impact from actuarial gains associated with our defined benefit plans of \$0.2 million and a tax expense of \$0.1 million.

For the twelve months ended December 31, 2021, diluted EPS before charges/gains is net income less noncontrolling interests 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, including \$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.

For the three months ended December 31, 2020, diluted EPS before charges/gains is net income less noncontrolling interests calculated on a diluted per-share basis excluding \$13.2 million (\$10.4 million after tax or \$0.08 per diluted share) of restructuring and other charges, the impact from actuarial losses associated with our defined benefit plans of \$2.6 million (\$1.9 million after tax or \$0.01 per diluted share) and a net tax expense of \$0.4 million.

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), 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 \$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).

	Three Months Ended December 31,			Twelve Months Ended December 31,		
	2021	2020	% Change	2021	2020	% Change
Earnings Per Common Share - Diluted						
Diluted EPS Before Charges/Gains ^(c)	\$ 1.32	\$ 1.25	6	\$ 5.73	\$ 4.19	37
Restructuring and other charges	(0.04)	(0.08)	(50)	(0.17)	(0.19)	(11)
Asset impairment charges ^(e)	-	-	-	-	(0.13)	(100)
(Loss) gain on equity investments ^(f)	-	-	-	(0.02)	0.06	(133)
Defined benefit plan actuarial losses	-	(0.01)	(100)	-	(0.02)	(100)
Tax items	-	-	-	-	0.03	(100)
Diluted EPS (GAAP)	\$ 1.28	\$ 1.16	10	\$ 5.54	\$ 3.94	41

(c) (e) (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
Diluted EPS before charges/gains - full year range	\$ 6.35 - 6.55	\$ 5.73	11 - 14
Diluted EPS before charges/gains ^(b)	\$ 6.45	\$ 5.73	13
Restructuring and other charges	-	(0.17)	
Loss on equity investments ^(e)	-	(0.02)	
Defined benefit plan actuarial losses	-	-	
Tax items	-	-	
Diluted EPS - (GAAP)	\$ 6.45	\$ 5.54	16
Diluted EPS - (GAAP) - full year range	\$ 6.35 - 6.55	\$ 5.54	15 - 18

For the twelve months ended December 31, 2021, diluted EPS before charges/gains is net income less noncontrolling interests 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, including \$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.

(b) (e) 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

	Twelve Months Ended December 31,		
	2021	2020	% Change
EBITDA before charges/gains ^(d)	\$ 1,308.2	\$ 1,017.6	29
Depreciation*	\$ (121.1)	\$ (113.0)	7
Amortization of intangible assets	(64.1)	(42.0)	53
Restructuring and other charges	(28.1)	(33.2)	(15)
Interest expense	(84.4)	(83.9)	1
Asset impairment charges ^(e)	-	(22.5)	(100)
Equity in losses of affiliate	-	(7.6)	(100)
(Loss) gain on equity investments ^(f)	(4.5)	11.0	(141)
Defined benefit plan actuarial losses	(0.9)	(3.2)	(72)
Income taxes	(232.7)	(168.8)	38
Net Income (GAAP)	\$ 772.4	\$ 554.4	39

* Depreciation excludes accelerated depreciation expense of (\$3.9) million for the twelve months ended December 31, 2021. Depreciation excludes accelerated depreciation expense of (\$8.5) million for the twelve months ended December 31, 2020. Accelerated depreciation is included in restructuring and other charges.

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

As of December 31, 2021

Short-term debt **	\$ 400.0
Long-term debt **	2,309.8
Total debt	2,709.8
Less:	
Cash and cash equivalents **	471.5
Net debt (1)	\$ 2,238.3

For the twelve months ended December 31, 2021

EBITDA before charges/gains (2) ^(d)	\$ 1,308.2
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Net debt-to-EBITDA before charges/gains ratio (1/2)	1.7
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** Amounts are per the Unaudited Condensed Consolidated Balance

(d) (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 ACQUISITIONS NET SALES TO
PERCENTAGE CHANGE IN OUTDOORS & SECURITY NET SALES (GAAP)**

(Unaudited)

OUTDOORS & SECURITY

Percentage change in Outdoors & Security net sales excluding acquisitions (organic)

Acquisitions net sales

Percentage change in Outdoors & Security net sales (GAAP)

Three Months Ended December 31, 2021
% Change

Twelve Months Ended December 31, 2021
% Change

17%
23%
40%

15%
29%
44%

Outdoors & Security net sales excluding acquisitions (organic) 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
PLUMBING 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 December 31, 2021
% Change

9%
1%
10%

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 PERCENTAGE CHANGE IN TOTAL COMPANY NET SALES EXCLUDING ACQUISITIONS NET SALES TO
PERCENTAGE CHANGE IN TOTAL COMPANY NET SALES (GAAP)**

(Unaudited)

TOTAL COMPANY

Percentage change in Total Company net sales excluding acquisitions (organic)

Acquisitions net sales

Percentage change in Total Company Net Sales (GAAP)

Three Months Ended December 31, 2021
% Change

13%
5%
18%

Total Company net sales excluding acquisitions (organic) net sales is 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.
FREE CASH FLOW GUIDANCE TO GAAP CASH FLOW FROM OPERATIONS
(In millions)
(Unaudited)

	Twelve Months Ended December 31, 2021	2022 Full Year Approximation
Free cash flow*	\$ 518.2	\$ 615.0 - 700.0
Add:		
Capital expenditures	214.2	375.0 - 425.0
Less:		
Proceeds from the disposition of assets	1.9	7.0
Proceeds from the exercise of stock options	41.8	10.0
Cash flow from operations (GAAP)	\$ 688.7	\$ 973.0 - 1,108.0

* 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.

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 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" 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 charges of \$1.3 million and \$7.2 million for the three and twelve months ended December 31, 2021, respectively, and \$5.7 million and \$9.2 million for the three and twelve months ended December 31, 2020, respectively. In addition, in our Outdoors & Security segment, other charges also include an acquisition-related inventory step-up expense (LARSON) of \$3.4 million classified in cost of products sold for the twelve months ended December 31, 2021.

At Corporate, other charges include \$1.3 million of external costs directly related to evaluation of acquisition targets during the twelve months ended December 31, 2021. These external costs include expenditures for accounting, tax and other similar services. Also, other charges for the twelve months ended December 31, 2021 include \$0.3 million for banking, legal, accounting and other similar services directly related to the acquisition of LARSON classified in selling, general and administrative expenses and a charge of \$0.2 million for a loss on sale of a Corporate asset. Other charges for the three and twelve months ended December 31, 2020 include expenditures of \$4.5 million for banking, legal, accounting and other similar services directly related to the acquisition of Larson classified in selling, general and administrative expenses and a charge of \$3.6 million for an impairment of a Corporate asset.

(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, mark-to-market expense for equity investments, defined benefit plan actuarial gains (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, asset impairment charges, 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 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.