FORTUNE BRANDS HOME & SECURITY, INC.
RECONCILIATION OF OPERATING INCOME BEFORE CHARGES/GAINS TO GAAP OPERATING
(In millions)
(Unaudited)

	Twelve Months Ended		
	December 31, 2020	December 31, 2016	% Change 2020 vs 2016
PLUMBING			
Operating income before charges/gains	$ 489.6	$ 320.9	53
Restructuring charges [(a)]	(6.0)	(1.6)	(275)
Other charges [(a)]			
Cost of products sold	(4.4)	(4.1)	(7)
Selling, general and administrative expenses	1.7	(0.2)	950
Asset impairment charges [(c)]	(13.0)	-	(100)
Operating income (GAAP)	$ 467.9	$ 315.0	49
OUTDOORS & SECURITY			
Operating income before charges/gains	$ 205.2	$ 141.8	45
Restructuring charges [(a)]	(3.0)	(10.5)	71
Other charges [(a)]			
Cost of products sold	(0.9)	(4.2)	79
Selling, general and administrative expenses	-	(0.7)	100
Operating income (GAAP)	$ 201.3	$ 126.4	59
CABINETS			
Operating income before charges/gains	$ 256.0	$ 259.6	(1)
Restructuring charges [(a)]	(5.5)	(1.8)	(206)
Other charges [(a)]			
Cost of products sold	(5.1)	-	(100)
Selling, general and administrative expenses	(0.2)	-	(100)
Asset impairment charges [(c)]	(9.5)	-	(100)
Operating income (GAAP)	$ 235.7	$ 257.8	(9)
CORPORATE			
Operating income (loss) before charges/gains	$ (93.7)	$ (80.5)	(16)
Restructuring charges [(a)]	(1.4)	-	(100)
Other charges [(a)]			
Selling, general and administrative expenses	(8.4)	(0.1)	(8,300)
Corporate expense (GAAP)	$ (103.5)	$ (80.6)	(28)
FORTUNE BRANDS HOME & SECURITY			
Operating income before charges/gains	$ 857.1	$ 641.8	34
Restructuring charges [(a)]	(15.9)	(13.9)	(14)
Other charges [(a)]			
Cost of products sold	(10.4)	(8.3)	(25)
Selling, general and administrative expenses	(6.9)	(1.0)	(590)
Asset impairment charges [(c)]	(22.5)	-	(100)
Operating income (GAAP)	$ 801.4	$ 618.6	30

Operating income before charges/gains is operating income derived in accordance with U.S. generally accepted accounting principles ("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 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.

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

FORTUNE BRANDS HOME & SECURITY, INC.
BEFORE CHARGES/GAINS OPERATING MARGIN TO OPERATING MARGIN
(In millions)
(Unaudited)

	Twelve Months Ended December 31, 2020
PLUMBING	
Before Charges/Gains Operating Margin	22.2%
Restructuring & other charges [(a)]	(0.4%)
Asset impairment charges [(c)]	(0.6%)
Operating margin	21.2%
OUTOORS & SECURITY	
Before Charges/Gains Operating Margin	14.5%
Restructuring & other charges [(a)]	(0.3%)
Operating margin	14.2%
CABINETS	
Before Charges/Gains Operating Margin	10.4%
Restructuring & other charges [(a)]	(0.5%)
Asset impairment charges [(c)]	(0.4%)
Operating margin	9.5%
FORTUNE BRANDS HOME & SECURITY	
Before Charges/Gains Operating Margin	14.1%
Restructuring & other charges [(a)]	(0.5%)
Asset impairment charges [(c)]	(0.4%)
Operating margin	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.

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

DILUTED EPS BEFORE CHARGES/GAINS RECONCILIATION

(Unaudited)

	Twelve Months Ended December 31,						
	2020	2019	% Change 2020 vs 2019	2018	2017	2016	% Change 2020 vs 2016
Earnings Per Common Share - Diluted							
EPS before charges/gains [e]	$ 4.19	$ 3.60	16	$ 3.34	$ 3.08	$ 2.75	52
Restructuring and other charges [a]	(0.19)	(0.13)	(46)	(0.30)	(0.10)	(0.10)	(90)
Change in inventory costing method [b]	-	-	-	0.04	-	-	-
Asset impairment charges [c]	(0.13)	(0.22)	41	(0.35)	(0.07)	-	-
Tax items	0.03	(0.01)	400	(0.05)	0.16	(0.02)	250
Loss on sale of product line	-	-	-	-	(0.02)	-	-
Gain on equity investment [g]	0.06	-	-	-	-	-	-
Defined benefit plan actuarial losses [d]	(0.02)	(0.18)	89	(0.02)	-	(0.01)	(100)
Write off of prepaid debt issuance costs	-	-	-	-	-	(0.01)	100
Diluted EPS - Continuing Operations	$ 3.94	$ 3.06	29	$ 2.66	$ 3.05	$ 2.61	51

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 investment 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).

For the twelve months ended December 31, 2019, diluted EPS before charges/gains is net income less noncontrolling interests calculated on a diluted per-share basis excluding $24.0 million ($18.1 million after tax or $0.13 per diluted share) of restructuring and other charges, intangible asset impairment charges of $41.5 million ($31.4 million after tax or $0.22 per diluted share), the impact from actuarial losses associated with our defined benefit plans of $34.1 million ($25.8 million after tax or $0.18 per diluted share) and a net tax charge of $1.3 million ($0.01 per diluted share).

For the twelve months ended December 31, 2018, diluted EPS before charges/gains is income from continuing operations, net of tax less noncontrolling interests calculated on a diluted per-share basis excluding $54.2 million ($43.4 million after tax or $0.30 per diluted share) of restructuring and other charges, asset impairment charges of $62.6 million ($50.8 million after tax or $0.35 per diluted share), a benefit from an inventory costing change of $7.3 million ($5.5 million after tax or $0.04 per diluted share), a net tax charge principally related to an update to the estimated impact from the Tax Cuts and Jobs Act of 2017 ($7.2 million or $0.05 per diluted share) and the impact from actuarial losses associated with our defined benefit plans of $3.9 million ($2.9 million after tax or $0.02 per diluted share).

For the twelve months ended December 31, 2017, diluted EPS before charges/gains is income from continuing operations, net of tax less noncontrolling interests calculated on a diluted per-share basis excluding $23.0 million ($16.3 million after tax or $0.10 per diluted share) of restructuring and other charges, asset impairments of $15.3 million ($11.1 million after tax or $0.07 per diluted share), the loss on sale of product line of $2.4 million ($2.5 million after tax or $0.02 per diluted share), the impact of income from actuarial gains associated with our defined benefit plans of $0.5 million ($0.3 million after tax) and an income tax gain arising from a net benefit related to the Tax Cuts and Jobs Act of 2017 of $25.7 million ($0.16 per diluted share).

For the twelve months ended December 31, 2016, diluted EPS before charges/gains is income from continuing operations, net of tax less noncontrolling interests calculated on a diluted per-share basis excluding $23.2 million ($16.5 million after tax or $0.10 per diluted share) of restructuring and other charges, the impact of the write off of prepaid debt issuance cost of $1.3 million ($0.8 million after tax or $0.01 per diluted share), expense related to an income tax loss of $3.1 million ($0.02 per diluted share), and actuarial losses of $1.9 million ($1.3 million after tax or $0.01 per diluted share).

(a) (b) (c) (d) (e) (g) 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 INCOME FROM CONTINUING OPERATIONS

	Twelve Months Ended December 31,						
	2020	2019	% Change 2020 vs 2019	2018	2017	2016	% Change 2020 vs 2016
EBITDA BEFORE CHARGES/GAINS [f]	$ 1,017.6	$ 919.9	11	$ 868.3	$ 854.7	$ 776.5	31
Depreciation *	$ (113.0)	$ (109.4)	(3)	$ (107.3)	$ (98.6)	$ (92.1)	(23)
Amortization of intangible assets	(42.0)	(41.4)	(1)	(36.1)	(31.7)	(28.1)	(49)
Interest expense **	(83.9)	(94.2)	11	(74.5)	(49.4)	(49.1)	(71)
Restructuring and other charges [a]	(33.2)	(24.0)	(38)	(54.2)	(23.0)	(23.2)	(43)
Change in inventory costing method [b]	-	-	-	7.3	-	-	-
Asset impairment charges [c]	(22.5)	(41.5)	46	(62.6)	(15.3)	-	(100)
Equity in losses of affiliate	(7.6)	-	(100)	-	-	-	(100)
Gain on equity investment [g]	11.0	-	100	-	-	-	100
Loss on sale of product line	-	-	-	-	(2.4)	-	-
Defined benefit plan actuarial gains/(losses) [d]	(3.2)	(34.1)	91	(3.9)	0.5	(1.9)	(68)
Income taxes	(168.8)	(144.0)	(17)	(147.0)	(159.5)	(169.7)	1
Income from continuing operations, net of tax	$ 554.4	$ 431.3	29	$ 390.0	$ 475.3	$ 412.4	34

* Depreciation excludes accelerated depreciation expense for the twelve months ended December 31, 2020 of ($8.5) million, 2019 of ($1.9) million, 2018 of ($6.2) million and 2016 of ($2.5) million. Accelerated depreciation is included in restructuring and other charges.

** Interest expense includes the write-off of prepaid debt issuance costs of ($1.3) million for the twelve months ended December 31, 2016.

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

	2020
As of December 31,	
Long-term debt **	2,572.2
Total debt	2,572.2
Less:	
Cash and cash equivalents **	419.1
Net debt (1)	2,153.1
For the twelve months ended December 31,	
EBITDA before charges/gains (2) [f]	1,017.6
Net debt-to-EBITDA before charges/gains ratio (1/2)	2.1

** Amounts are per the unaudited Condensed Consolidated Balance Sheet as of December 31, 2020

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

Definitions of Terms: Non-GAAP Measures

(a) 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, write-off of displays from exiting a customer relationship, impairments related to previously closed facilities and the losses on the sale of closed facilities. In total, the Company recorded expense of $9.2 million for the twelve months ended December 31, 2020, $7.5 million for the twelve months ended December 31, 2019, $11.3 million for the twelve months ended December 31, 2018, $10.2 million for the twelve months ended December 31, 2017, and $5.4 million for the twelve months ended December 31, 2016, associated with these initiatives.

At Corporate, other charges also include pre-tax 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 pre-tax charge of $3.6 million for an impairment of a Corporate asset for the twelve months ended December 31, 2020. In addition, for the twelve months ended December 31, 2018, includes $0.3 million of expense associated with our assessment of impact on the Company from the Tax Cuts and Jobs Act of 2017. In our Outdoors & 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 twelve months ended December 31, 2019, and $4.9 million for the twelve months ended December 31, 2018.

In our Plumbing segment, other charges also includes acquisition-related inventory step-up expense (Victoria + Albert) classified in cost of products sold of $5.5 million for the twelve months ended December 31, 2018, $2.1 million for the twelve months ended December 31, 2017, and $3.8 million for the twelve months ended December 31, 2016 and compensation expense classified in selling, general and administrative expense of $8.1 million for the twelve months ended December 31, 2018, related to deferred purchase price consideration payable to certain former (Victoria + Albert) shareholders contingent on their employment through October 2018.

(b) During the fourth quarter of 2018, we determined that it was preferable to change our accounting policy for product groups in which metals inventory comprise a significant portion of inventories from last-in, first-out ("LIFO") to first-in, first-out ("FIFO"). As a result, we recorded a pre-tax benefit of $7.3 million within cost of products sold during the twelve months ended December 31, 2018.

(c) 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 in our Cabinets and Plumbing segments. Asset impairment charges for the twelve months ended December 31, 2019, represent a pre-tax impairment charge of $41.5 million related to indefinite-lived tradenames in our Cabinets segment. It also includes a $1.7 million fair value asset impairment expense classified in cost of products sold, for the twelve months ended December 31, 2019, associated with an idle manufacturing facility in our Outdoors & Security segment. Asset impairment charges for the twelve months ended December 31, 2018, represent pre-tax impairment charges of $62.6 million related to two indefinite-lived tradenames within our Cabinets segment. Asset impairment charges for the twelve months ended December 31, 2017, represents an impairment of a cost investment in a developmental stage home security company classified in other expense, an impairment of a long-lived Corporate asset classified in selling, general and administrative expenses and impairments related to our decision during the first quarter of 2017 to sell the Field ID product line.

(d) Represents actuarial gains or losses associated with our defined benefit plans. Actuarial gains or losses in a period represent the difference between actual and actuarially assumed experience, principally related to liability discount rates and plan asset returns, as well as other actuarial assumptions including compensation rates, turnover rates, and health care cost trend rates. The Company recognizes actuarial gains or losses immediately in other income (expense) to the extent they cumulatively exceed a "corridor." The corridor is equal to the greater of 10% of the fair value of plan assets or 10% of a plan's projected benefit obligation. Actuarial gains or losses are determined at required remeasurement dates which occur at least annually in the fourth quarter. Remeasurements due to plan amendments and settlements may also occur in interim periods during the year. Our other income (expense) reflects our expected rate of return on pension plan assets which in a given period may materially differ from our actual return on plan assets. Our liability discount rates and plan asset returns are based upon difficult to predict fluctuations in global bond and equity markets that are not directly related to the Company's business. We believe that the exclusion of actuarial gains or losses from diluted EPS before charges/gains provides investors with useful supplemental information regarding the underlying performance of the business from period to period that may be considered in conjunction with our diluted EPS as measured on a GAAP basis. We present this supplemental information because such actuarial gains or losses may create volatility in our diluted EPS that does not necessarily have an immediate corresponding impact on operating cash flow or the actual compensation and benefits provided to our employees. The table below sets forth additional supplemental information on the Company's historical actual and expected rate of return on plan assets, as well as discount rates used to value its defined benefit obligations:

($ In millions)	*Year Ended December 31, 2020*		*Year Ended December 31, 2019*		*Year Ended December 31, 2018*		*Year Ended December 31, 2017*		*Year Ended December 31, 2016*	
	%	*$*	*%*	*$*	*%*	*$*	*%*	*$*	*%*	*$*
Actual return on plan assets	*16.4%*	*$101.8*	*19.7%*	*$106.8*	*(3.5)%*	*($30.7)*	*16.3%*	*$83.2*	*10.0%*	*$46.6*
Expected return on plan assets	*4.5%*	*32.8*	*4.9%*	*35.2*	*6.0%*	*41.0*	*6.4%*	*37.3*	*6.6%*	*37.2*
Discount rate at December 31:										
Pension benefits	*2.6%*		*3.3%*		*4.4%*		*3.8%*		*4.3%*	
Postretirement benefits	*5.9%*		*6.4%*		*4.2%*		*3.4%*		*3.4%*	

(e) Diluted EPS before charges/gains is income from continuing operations, net of tax, 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, a change in inventory costing method, tax items, gains and losses associated with our defined benefit plans, the loss on sale of product line and the write-off of prepaid debt issuance costs. 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.

(f) EBITDA before charges/gains is income from continuing operations, net of tax, derived in accordance with GAAP excluding depreciation, amortization of intangible assets, interest expense, restructuring and other charges, a benefit from a change in inventory costing, asset impairment charges, equity in losses of affiliate, gains on equity investments, the loss on sale of product line, the impact of income and expense from actuarial gains or losses associated with our defined benefit plans 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 FBHS. 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.

(g) Gain on equity investment for the twelve months ended December 31, 2020 is related to our investment in Flo Technologies.