

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, 2020	December 31, 2019	\$ change	% change	December 31, 2020	December 31, 2019	\$ change	% change
PLUMBING								
Operating income before charges/gains ^(a)	\$ 138.7	\$ 118.8	\$ 19.9	17	\$ 489.6	\$ 435.8	\$ 53.8	12
Restructuring charges ^(b)	1.2	0.7	0.5	71	(6.0)	(2.8)	(3.2)	(114)
Other charges ^(b)								
Cost of products sold	(2.6)	0.4	(3.0)	(750)	(4.4)	(2.6)	(1.8)	(69)
Selling, general and administrative expenses	-	(0.2)	0.2	100	1.7	(2.8)	4.5	161
Asset impairment charges ^(c)	-	-	-	-	(13.0)	-	(13.0)	(100)
Operating income (GAAP)	\$ 137.3	\$ 119.7	\$ 17.6	15	\$ 467.9	\$ 427.6	\$ 40.3	9
OUTDOORS & SECURITY *								
Operating income before charges/gains ^(a)	\$ 58.0	\$ 49.5	\$ 8.5	17	\$ 205.2	\$ 177.4	\$ 27.8	16
Restructuring charges ^(b)	0.2	(0.1)	0.3	300	(3.0)	(1.7)	(1.3)	(76)
Other charges ^(b)								
Cost of products sold	(0.4)	0.4	(0.8)	(200)	(0.9)	(3.4)	2.5	74
Operating income (GAAP)	\$ 57.8	\$ 49.8	\$ 8.0	16	\$ 201.3	\$ 172.3	\$ 29.0	17
CABINETS								
Operating income before charges/gains ^(a)	\$ 76.1	\$ 59.8	\$ 16.3	27	\$ 256.0	\$ 230.5	\$ 25.5	11
Restructuring charges ^(b)	(0.8)	(4.1)	3.3	80	(5.5)	(10.2)	4.7	46
Other charges ^(b)								
Cost of products sold	(2.7)	0.4	(3.1)	(775)	(5.1)	0.1	(5.2)	(5,200)
Selling, general and administrative expenses	-	0.2	(0.2)	(100)	(0.2)	(0.6)	0.4	67
Asset impairment charges ^(c)	-	(12.0)	12.0	100	(9.5)	(41.5)	32.0	77
Operating income (GAAP)	\$ 72.6	\$ 44.3	\$ 28.3	64	\$ 235.7	\$ 178.3	\$ 57.4	32
CORPORATE								
General and administrative expense before charges/gains	\$ (26.4)	\$ (21.3)	\$ (5.1)	(24)	\$ (93.7)	\$ (79.7)	\$ (14.0)	(18)
Restructuring charges ^(b)	-	-	-	-	(1.4)	-	(1.4)	(100)
Other charges ^(b)								
Selling, general and administrative expenses	(8.1)	-	(8.1)	(100)	(8.4)	-	(8.4)	(100)
Total Corporate expense (GAAP)	\$ (34.5)	\$ (21.3)	\$ (13.2)	(62)	\$ (103.5)	\$ (79.7)	\$ (23.8)	(30)
TOTAL COMPANY								
Operating income before charges/gains ^(a)	\$ 246.4	\$ 206.8	\$ 39.6	19	\$ 857.1	\$ 764.0	\$ 93.1	12
Restructuring charges ^(b)	0.6	(3.5)	4.1	117	(15.9)	(14.7)	(1.2)	(8)
Other charges ^(b)								
Cost of products sold	(5.7)	1.2	(6.9)	(575)	(10.4)	(5.9)	(4.5)	(76)
Selling, general and administrative expenses	(8.1)	-	(8.1)	(100)	(6.9)	(3.4)	(3.5)	(103)
Asset impairment charges ^(c)	-	(12.0)	12.0	100	(22.5)	(41.5)	19.0	46
Operating income (GAAP)	\$ 233.2	\$ 192.5	\$ 40.7	21	\$ 801.4	\$ 698.5	\$ 102.9	15

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

*In the fourth quarter of 2020, our Doors & Security segment was renamed "Outdoors & Security" to better align with the segment's strategic focus on the fast-growing outdoor living space and to better represent the brands within the segment, including the newly acquired Larson Manufacturing ("Larson"). The Outdoors & Security segment name change is to the name only and had no impact on the Company's historical financial position, results of operations, cash flow or segment level results previously reported.

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

	Three Months Ended December 31,			Twelve Months Ended December 31,		
	2020	2019	Change	2020	2019	Change
PLUMBING						
Before charges/gains operating margin	21.8%	21.7%	10 bps	22.2%	21.5%	70 bps
Restructuring & other charges	(0.3%)	0.1%		(0.4%)	(0.4%)	
Asset Impairment	-	-		(0.6%)	-	
Operating margin	21.5%	21.8%	(30) bps	21.2%	21.1%	10 bps
OUTDOORS & SECURITY						
Before charges/gains operating margin	15.8%	14.9%	90 bps	14.5%	13.2%	130 bps
Restructuring & other charges	-	0.1%		(0.3%)	(0.4%)	
Operating margin	15.8%	15.0%	80 bps	14.2%	12.8%	140 bps
CABINETS						
Before charges/gains operating margin	11.6%	10.1%	150 bps	10.4%	9.7%	70 bps
Restructuring & other charges	(0.5%)	(0.6%)		(0.5%)	(0.4%)	
Asset impairment charges	-	(2.0%)		(0.4%)	(1.8%)	
Operating margin	11.1%	7.5%	360 bps	9.5%	7.5%	200 bps
TOTAL COMPANY						
Before charges/gains operating margin	14.8%	14.1%	70 bps	14.1%	13.3%	80 bps
Restructuring & other charges	(0.7%)	(0.2%)		(0.5%)	(0.5%)	
Asset impairment charges	-	(0.8%)		(0.4%)	(0.7%)	
Operating margin	14.1%	13.1%	100 bps	13.2%	12.1%	110 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.

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

CABINETS

Before charges/gains operating margin

Restructuring & other charges

Asset impairment charges

Operating margin

Six Months Ended December 31,		
2020	2019	Change

11.9%	10.0%	190 bps
(0.1%)	(0.6%)	
-	(3.5%)	
11.8%	5.9%	590 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, 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).

For the three months ended December 31, 2019, diluted EPS before charges/gains is net income less noncontrolling interests calculated on a diluted per-share basis excluding \$2.3 million (\$1.5 million after tax or \$0.02 per diluted share) of restructuring and other charges, the impact from actuarial losses associated with our defined benefit plans of \$32.0 million (\$24.2 million after tax or \$0.17 per diluted share), an asset impairment charge of \$12.0 million (\$8.9 million after tax or \$0.06 per diluted share) and a net tax charge of \$1.9 million (\$0.01 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).

	Three Months Ended December 31,			Twelve Months Ended December 31,		
	2020	2019	% Change	2020	2019	% Change
Earnings Per Common Share - Diluted						
Diluted EPS Before Charges/Gains ^(c)	\$ 1.25	\$ 1.00	25	\$ 4.19	\$ 3.60	16
Restructuring and other charges	(0.08)	(0.02)	(300)	(0.19)	(0.13)	(46)
Asset impairment charges ^(e)	-	(0.06)	100	(0.13)	(0.22)	41
Gains on equity investments ^(f)	-	-	-	0.06	-	-
Defined benefit plan actuarial losses	(0.01)	(0.17)	94	(0.02)	(0.18)	89
Tax items	-	(0.01)	100	0.03	(0.01)	400
Diluted EPS (GAAP)	\$ 1.16	\$ 0.74	57	\$ 3.94	\$ 3.06	29

(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

	Twelve Months Ended December 31, 2020
EBITDA BEFORE CHARGES/GAINS ^(d)	\$ 1,017.6
Depreciation*	(113.0)
Amortization of intangible assets	(42.0)
Restructuring and other charges	(33.2)
Interest expense	(83.9)
Asset impairment charges ^(e)	(22.5)
Equity in losses of affiliate	(7.6)
Gains on equity investments ^(f)	11.0
Defined benefit plan actuarial losses	(3.2)
Income taxes	(168.8)
Net Income (GAAP)	\$ 554.4

* 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, 2020	
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, 2020	
EBITDA before charges/gains (2) ^(d)	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.

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

FORTUNE BRANDS HOME & SECURITY, INC.
FREE CASH FLOW GUIDANCE TO GAAP CASH FLOW FROM OPERATIONS
(In millions)
(Unaudited)

	Twelve Months Ended December 31, 2020	2021 Full Year Approximation
Free Cash Flow*	\$ 741.7	\$ 600.0 - 650.0
Add:		
Capital Expenditures	150.5	210.0 - 250.0
Less:		
Proceeds from the disposition of assets	1.6	0.0 - 5.0
Proceeds from the exercise of stock options	64.9	25.0 - 30.0
Cash Flow From Operations (GAAP)	\$ 825.7	\$ 785.0 - 865.0

* 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 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.

FORTUNE BRANDS HOME & SECURITY, INC.
RECONCILIATION OF FULL YEAR 2021 GUIDANCE DILUTED EPS BEFORE CHARGES/GAINS TO GAAP DILUTED EPS
(Unaudited)

	For Twelve Months Ended		
	December 31, 2021	December 31, 2020	% change
Diluted EPS before charges/gains - full year range	\$ 4.85 - 5.05	\$ 4.19	16 - 21
Diluted EPS Before Charges/Gains ^(c)	\$ 4.95	\$ 4.19	18
Restructuring and other charges	(0.05)	(0.19)	
Asset impairment charges ^(e)	-	(0.13)	
Gains on equity investments ^(f)	-	0.06	
Defined benefit plan actuarial losses	-	(0.02)	
Tax items	-	0.03	
Diluted EPS - (GAAP)	\$ 4.90	\$ 3.94	24
Diluted EPS - (GAAP) - full year range	\$ 4.80 - 5.00	\$ 3.94	22 - 27

The Company is targeting diluted EPS before charges/gains to be in the range of \$4.85 to \$5.05 per share. For the full year, on a GAAP basis, the Company is targeting diluted EPS to be in the range of \$4.80 to \$5.00 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 2021.

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).

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

FORTUNE BRANDS HOME & SECURITY, INC.

**RECONCILIATION OF PERCENTAGE CHANGE IN PLUMBING NET SALES EXCLUDING FX IMPACT TO
PERCENTAGE CHANGE IN NET SALES (GAAP)**

(Unaudited)

Three Months Ended December 31, 2020
% change

PLUMBING

Percentage change in Net Sales excluding FX Impact

FX Impact

Percentage change in Net Sales (GAAP)

15%
1%
16%

Plumbing net sales excluding FX impact is consolidated 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.

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 \$5.7 million and \$9.2 million for the three and twelve months ended December 31, 2020, respectively. For the three months ended December 31, 2019 we recognized a credit of (\$1.2) million related to the reversal of previously recorded inventory obsolescence provisions and inventory obsolescence provision expense of \$7.5 million for the twelve months ended December 31, 2019.

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 during the three months ended December 31, 2020. In our Outdoors & Security segment, other charges also includes an acquisition-related inventory step-up expense (Fiberon) of \$1.8 million classified in cost of products sold for the twelve months ended December 31, 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 losses 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 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 three and twelve months ended December 31, 2019 represent a pre-tax impairment of \$12.0 million and \$29.5 million, respectively, 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.

(f) Gains on equity investments for the twelve months ended December 31, 2020 represents gains related to our 2020 investments in Flo Technologies.