

FORTUNE BRANDS HOME & SECURITY, INC.
RECONCILIATIONS OF OPERATING INCOME, OTHER INCOME/EXPENSE, DEPRECIATION, AMORTIZATION BEFORE CHARGES/GAINS TO GAAP

(In millions)

(Unaudited)

	Nine Months Ended September 30,		Twelve Months Ended December 31,	
	2022	2021	2021	2020
WATER INNOVATIONS				
Operating income before charges/gains ^(a)	\$ 468.6	\$ 486.1	\$ 632.7	\$ 489.6
Restructuring charges ^(b)	(3.8)	-	1.1	(6.0)
Other (charges)/gains ^(b)				
Cost of products sold	(1.3)	(1.4)	(2.0)	(4.4)
Selling, general and administrative expenses	(0.8)	(1.4)	(2.1)	1.7
Asset impairment charges ^(c)	-	-	-	(13.0)
Operating income (GAAP)	\$ 462.7	\$ 483.3	\$ 629.7	\$ 467.9
Other income/(expense) before charges/gains	1.4	3.2	4.7	5.7
Defined benefit plan actuarial (losses)/gains	-	4.0	4.2	(3.8)
(Losses)/gains on equity investments ^(e)	-	(1.6)	(1.6)	-
Other income/(expense) (GAAP)	1.4	5.6	7.3	1.9
Depreciation before charges gains	25.1	24.6	35.1	33.4
Accelerated Depreciation	-	(1.7)	(2.0)	(4.2)
Depreciation (GAAP)	25.1	26.3	37.1	37.6
Amortization of intangible assets (GAAP)	11.6	11.2	14.9	10.8
OUTDOORS & SECURITY				
Operating income before charges/gains ^(a)	\$ 238.8	\$ 223.2	\$ 305.0	\$ 205.2
Restructuring charges ^(b)	(18.9)	(8.5)	(10.4)	(3.0)
Other (charges)/gains ^(b)				
Cost of products sold	5.4	(3.4)	(3.4)	(0.9)
Selling, general and administrative expenses	(2.0)	0.4	0.7	-
Operating income (GAAP)	\$ 223.3	\$ 211.7	\$ 291.9	\$ 201.3
Other income/(expense) before charges/gains	2.6	2.1	2.7	(1.0)
Defined benefit plan actuarial (losses)/gains	-	0.4	0.4	0.8
Other income/(expense) (GAAP)	2.6	2.5	3.1	(0.2)
Depreciation (GAAP)	33.8	30.4	40.7	33.3
Amortization of intangible assets (GAAP)	24.1	24.0	31.5	13.4
CABINETS				
Operating income before charges/gains ^(a)	\$ 290.7	\$ 220.7	\$ 287.2	\$ 256.0
Restructuring charges ^(b)	(10.9)	(3.0)	(4.2)	(5.5)
Other (charges)/gains ^(b)				
Cost of products sold	(6.3)	(3.5)	(3.7)	(5.1)
Selling, general and administrative expenses	(4.2)	-	-	(0.2)
Asset impairment charge ^(c)	(26.0)	-	-	(9.5)
Operating income (GAAP)	\$ 243.3	\$ 214.2	\$ 279.3	\$ 235.7
Other income/(expense) before charges/gains	(1.4)	0.1	(0.4)	(1.1)
Defined benefit plan actuarial (losses)/gains	-	2.1	2.1	(3.1)
Other income/(expense) (GAAP)	(1.4)	2.2	1.7	(4.2)
Depreciation before charges gains	32.1	31.9	42.5	43.6
Accelerated Depreciation	(0.4)	(2.2)	(1.9)	(4.3)
Depreciation (GAAP)	32.5	34.1	44.4	47.9
Amortization of intangible assets (GAAP)	13.2	13.3	17.7	17.8

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

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RECONCILIATIONS OF OPERATING INCOME, OTHER INCOME/EXPENSE, DEPRECIATION, AMORTIZATION BEFORE CHARGES/GAINS TO GAAP

(In millions)

(Unaudited)

	Nine Months Ended September 30,		Twelve Months Ended December 31,	
	2022	2021	2021	2020
CORPORATE				
General and administrative expenses before charges/gains	\$ (93.8)	\$ (77.4)	\$ (108.6)	\$ (93.7)
Restructuring charges ^(b)	0.5	-	-	(1.4)
Other (charges)/gains ^(b)				
Selling, general and administrative expenses	(17.9)	(1.9)	(1.9)	(8.4)
Duplicative public company expenses ^(d)	0.6	-	-	-
Corporate expense (GAAP)	\$ (110.6)	\$ (79.3)	\$ (110.5)	\$ (103.5)
Other income/(expense) before charges/gains	1.4	(0.5)	(0.5)	1.9
Defined benefit plan actuarial (losses)/gains	(0.4)	(7.6)	(7.5)	2.9
(Losses)/gains on equity investments ^(e)	-	(2.9)	(5.0)	11.0
Other income/(expense) (GAAP)	1.0	(11.0)	(13.0)	15.8
Depreciation (GAAP)	2.1	2.1	2.8	2.7
TOTAL COMPANY				
Operating income before charges/gains ^(a)	\$ 904.3	\$ 852.6	\$ 1,116.3	\$ 857.1
Restructuring charges ^(b)	(33.1)	(11.5)	(13.5)	(15.9)
Other (charges)/gains ^(b)				
Cost of products sold	(2.2)	(8.3)	(9.1)	(10.4)
Selling, general and administrative expenses	(24.9)	(2.9)	(3.3)	(6.9)
Duplicative public company expenses ^(d)	0.6	-	-	-
Asset impairment charge ^(c)	(26.0)	-	-	(22.5)
Operating income (GAAP)	\$ 818.7	\$ 829.9	\$ 1,090.4	\$ 801.4
Other income/(expense) before charges/gains	4.0	4.9	6.5	5.5
Defined benefit plan actuarial (losses)/gains	(0.4)	(1.1)	(0.8)	(3.2)
(Losses)/gains on equity investments ^(e)	-	(4.5)	(6.6)	11.0
Other income/(expense) (GAAP)	3.6	(0.7)	(0.9)	13.3
Depreciation before charges gains	93.1	89.0	121.1	113.0
Accelerated Depreciation	(0.4)	(3.9)	(3.9)	(8.5)
Depreciation (GAAP)	93.5	92.9	125.0	121.5
Amortization of intangible assets (GAAP)	48.9	48.5	64.1	42.0

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

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. Restructuring charges totaled \$33.1 million and \$11.5 million for the nine months ended September 30, 2022 and 2021, respectively. Restructuring charges totaled \$13.5 million and \$15.9 million for the twelve months ended December 31, 2021 and 2020, respectively.

Other charges/gains^{***} represent 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 charges of \$0.9 million and \$5.9 million for the nine months ended September 30, 2022 and 2021, respectively. In total, we recognized \$7.2 million and \$9.2 million for the twelve months ended December 31, 2021 and 2020, respectively.

In our Water Innovations segment, other charges also include an acquisition-related inventory step-up expense for Aqualisa Holdings (International) Ltd. ("Aqualisa") of \$1.3 million classified in cost of products sold for the nine months ended September 30, 2022.

In our Outdoors & Security segment, other charges also include an acquisition-related inventory step-up expense for Solar Innovations LLC and an affiliated entity (together, "Solar") of \$0.7 million classified in cost of products sold for the nine months ended September 30, 2022, and \$1.0 million and \$2.1 million classified in selling, general and administrative for a compensation arrangement with the former owner of Solar for the nine months ended September 30, 2022. Other charges also includes an acquisition-related inventory step-up expense for Larson of \$3.4 million classified in cost of products sold for the nine months ended September 30, 2021 and the twelve months ended December 31, 2021.

In our Cabinets segment, other charges also include expenditures of \$3.7 million for the nine months ended September 30, 2022 incurred directly by Cabinets and related to the separation of FBHS and our Cabinets segment. These charges include accounting and other similar services related to our separation activities. In addition, \$0.6 million of Cabinets public company expenses are included in our Corporate expenses before charges and gains, but included in our Cabinets segment GAAP operating income.

At Corporate, other charges also include expenditures of \$16.7 million for the nine months ended September 30, 2022, incurred directly by Corporate for banking, legal, accounting and other similar services directly related to the separation of FBHS and its Cabinets business. Other charges also include expenditures of \$1.1 million for the nine months ended September 30, 2022 for banking, legal, accounting and other similar services directly related to the acquisition of Aqualisa. Other charges also include \$1.4 million of external costs directly related to evaluation of acquisition targets during the nine months ended September 30, 2021 and twelve months ended December 31, 2021. These costs include expenditures for accounting, tax and other similar services. Also, for the nine months ended September 30, 2021 and the twelve months ended December 31, 2021, other charges 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 pre-tax charge of \$0.2 million for a loss on sale of a Corporate asset. Other charges for the 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) Asset impairment charges for the nine months ended September 30, 2022, represent a pre-tax impairment charge of \$26.0 million related to an indefinite-lived tradename in our Cabinets segment. 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.

(d) Duplicative public company expenses for the nine months ended September 30, 2022, represent public company expenses incurred by our Cabinets business ahead of our "Spin-off" of the business. These expenses are included in our Corporate expenses before charges and gains, but included in our Cabinets segment's GAAP operating income.

(e) Losses/gains on equity investments are related to our investment in Flo Technologies.