

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

	For the three months ended				For the six months ended			
	June 30, 2014	June 30, 2013	\$ change	% change	June 30, 2014	June 30, 2013	\$ change	% change
KITCHEN & BATH CABINETS								
Operating income before charges/gains ^(a)	\$ 46.3	\$ 35.3	\$ 11.0	31	\$ 66.3	\$ 50.2	\$ 16.1	32
Restructuring charges	(0.2)	(0.2)	-	-	(0.3)	(0.5)	0.2	40
Other charges	-	-	-	-	-	-	-	-
Cost of products sold	-	0.3	(0.3)	(100)	-	-	-	-
Operating income (GAAP)	\$ 46.1	\$ 35.4	\$ 10.7	30	\$ 66.0	\$ 49.7	\$ 16.3	33
PLUMBING & ACCESSORIES								
Operating income before charges/gains ^(a)	\$ 69.9	\$ 55.3	\$ 14.6	26	\$ 125.3	\$ 110.3	\$ 15.0	14
Restructuring charges	1.0	-	1.0	100	0.9	-	0.9	100
Other charges	-	-	-	-	-	-	-	-
Cost of products sold	0.6	-	0.6	100	0.6	-	0.6	100
Operating income (GAAP)	\$ 71.5	\$ 55.3	\$ 16.2	29	\$ 126.8	\$ 110.3	\$ 16.5	15
ADVANCED MATERIAL WINDOWS & DOOR SYSTEMS								
Operating income before charges/gains ^(a)	\$ 15.1	\$ 9.9	\$ 5.2	53	\$ 7.4	\$ 2.0	\$ 5.4	270
Restructuring charges	-	(0.1)	0.1	100	-	(0.7)	0.7	100
Operating income (GAAP)	\$ 15.1	\$ 9.8	\$ 5.3	54	\$ 7.4	\$ 1.3	\$ 6.1	469
SECURITY & STORAGE								
Operating income before charges/gains ^(a)	\$ 19.8	\$ 26.3	\$ (6.5)	(25)	\$ 31.8	\$ 38.6	\$ (6.8)	(18)
Restructuring charges	-	-	-	-	(2.1)	-	(2.1)	(100)
Other charges	-	-	-	-	-	-	-	-
Cost of products sold	-	-	-	-	(0.1)	-	(0.1)	(100)
Operating income (GAAP)	\$ 19.8	\$ 26.3	\$ (6.5)	(25)	\$ 29.6	\$ 38.6	\$ (9.0)	(23)
CORPORATE								
Corporate expense before charges/gains ^(a)	\$ (14.3)	\$ (19.6)	\$ 5.3	27	\$ (28.9)	\$ (31.5)	\$ 2.6	8
Restructuring charges	(1.6)	-	(1.6)	(100)	(1.6)	-	(1.6)	(100)
Other charges	-	-	-	-	-	-	-	-
Defined benefit plan actuarial losses ^(b)	-	(0.7)	0.7	100	(0.6)	(5.3)	4.7	89
Corporate expense (GAAP)	\$ (15.9)	\$ (20.3)	\$ 6.0	22	\$ (31.1)	\$ (36.8)	\$ 7.3	15
FORTUNE BRANDS HOME & SECURITY								
Operating income before charges/gains ^(a)	\$ 136.8	\$ 107.2	\$ 29.6	28	\$ 201.9	\$ 169.6	\$ 32.3	19
Restructuring charges	(0.8)	(0.3)	(0.5)	(167)	(3.1)	(1.2)	(1.9)	(158)
Other charges	-	-	-	-	-	-	-	-
Cost of products sold	0.6	0.3	0.3	100	0.5	-	0.5	100
Defined benefit plan actuarial losses ^(b)	-	(0.7)	0.7	100	(0.6)	(5.3)	4.7	89
Operating income (GAAP)	\$ 136.6	\$ 106.5	\$ 30.1	28	\$ 198.7	\$ 163.1	\$ 35.6	22

(a) 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 the impact of income and expense from actuarial gains or losses associated with our defined benefit plans. 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.

(b) 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 operating income 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 operating income before charges/gains 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 operating income 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 operating income as measured on a GAAP basis. We present this supplemental information because such actuarial gains or losses may create volatility in our operating income 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		Year Ended	
	December 31, 2013		December 31, 2012	
	%	\$	%	\$
Actual return on plan assets	15.2%	\$74.6	14.5%	\$63.7
Expected return on plan assets	7.8%	41.8	7.8%	36.8
Discount rate at December 31:				
Pension benefits	5.0%		4.2%	
Postretirement benefits	4.3%		3.7%	

FORTUNE BRANDS HOME & SECURITY, INC.

**RECONCILIATION OF FULL YEAR GUIDANCE DILUTED EPS BEFORE CHARGES/GAINS TO GAAP DILUTED EPS
(Unaudited)**

	For the twelve months ended		
	December 31, 2014	December 31, 2013	% change
Diluted EPS before charges/gains - full year range	\$ 1.88 - \$1.96	\$ 1.50	
Diluted EPS before charges/gains^(a)	\$ 1.92	\$ 1.50	28
Restructuring and other charges ^(b)	(0.03)	(0.02)	
Asset impairment charges	-	(0.12)	
Defined benefit plan actuarial losses	-	(0.02)	
Diluted EPS (GAAP)	\$ 1.89	\$ 1.34	41

(a) For the twelve months ended December 31, 2013, diluted EPS before charges/gains is net income calculated on a diluted per-share basis excluding \$5.1 million (\$3.6 million after tax or \$0.02 per diluted share) of restructuring and other charges, asset impairment charges of \$27.4 million (\$20.0 million after tax or \$0.12 per diluted share) and the impact of expense from actuarial losses associated with our defined benefit plan of \$5.1 million (\$3.3 million after tax or \$0.02 per diluted share).

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.

(b) Restructuring charges are costs incurred to implement significant cost reduction initiatives and include workforce reduction costs; "other charges" which were recorded in cost of products sold represent charges or gains directly related to restructuring initiatives that cannot be reported as restructuring under GAAP. Such charges or gains 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 associated with the sale of closed facilities.

FORTUNE BRANDS HOME & SECURITY, INC.
RECONCILIATION OF PERCENTAGE CHANGE IN NET SALES EXCLUDING
WOODCRAFTERS AND THE IMPACT FROM THE EXIT OF LOW MARGIN
BUILDER DIRECT BUSINESS IN THE WEST IN Q2 2014 TO PERCENTAGE
CHANGE IN NET SALES (GAAP)
(Unaudited)

**Three Months Ended
June 30, 2014**

Kitchen & Bath Cabinetry

Percentage change in Net Sales excluding Q2 2014 Impacts

WoodCrafters Net Sales (GAAP)

Exit of low margin builder direct business in the west

Percentage change in Net Sales (GAAP)

	10%
	12%
	(3%)
	19%

Net sales excluding WoodCrafters and the impact from the exit of low margin builder direct business in the west in the second quarter of 2014 is net sales derived in accordance with GAAP excluding WoodCrafters GAAP net sales and the impact from the exit of low margin builder direct business in the west in the second quarter of 2014. Management uses this measure to evaluate the overall performance of the Kitchen & Bath Cabinetry 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.
(In millions)
(Unaudited)

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

As of June 30, 2014

Notes payable to banks ^(a)	\$ 10.1
Long-term debt ^(a)	595.0
Total debt	605.1
Less:	
Cash and cash equivalents ^(a)	145.0
Net debt (1)	460.1

For the twelve months ended June 30, 2014

EBITDA before charges/gains (2) ^(b)	516.6
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Net debt-to-EBITDA before charges/gains ratio (1/2)

0.9

(a) Amounts are per the unaudited Condensed Consolidated Balance Sheet as of June 30, 2014.

	Six Months Ended June 30, 2014	Six Months Ended December 31, 2013	Twelve Months Ended June 30, 2014
Net Income	\$ 134.8	\$ 129.2	\$ 264.0
Depreciation	\$ 39.6	\$ 39.5	\$ 79.1
Amortization of intangible assets	8.0	8.1	16.1
Restructuring and other charges	2.6	3.9	6.5
Interest expense	4.0	3.8	7.8
Asset impairment charges	-	21.2	21.2
Defined benefit plan actuarial losses (gains)	0.6	(0.2)	0.4
Income taxes	59.6	61.9	121.5
EBITDA BEFORE CHARGES/GAINS	\$ 249.2	\$ 267.4	\$ 516.6

(b) EBITDA before charges/gains is net income derived in accordance with GAAP excluding restructuring and other charges, asset impairment charges, the impact of income and expense from actuarial gains or losses associated with our defined benefit plans, depreciation, amortization of intangible assets, interest expense, 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.

FORTUNE BRANDS HOME & SECURITY, INC.

BEFORE CHARGES/GAINS OPERATING MARGIN TO GAAP OPERATING MARGIN (Unaudited)

KITCHEN & BATH CABINETS

Before Charges/Gains Operating Margin

Restructuring & Other Charges

GAAP Operating Margin

**Three Months Ended
June 30, 2014**

9.9%

0.0%

9.9%

PLUMBING & ACCESSORIES

Before Charges/Gains Operating Margin

Restructuring & Other Charges

GAAP Operating Margin

**Three Months Ended
June 30, 2014**

20.6%

0.4%

21.0%

ADVANCED MATERIAL WINDOWS & DOOR SYSTEMS

Before Charges/Gains Operating Margin

GAAP Operating Margin

**Three Months Ended
June 30, 2014**

7.8%

7.8%

SECURITY & STORAGE

Before Charges/Gains Operating Margin

GAAP Operating Margin

**Three Months Ended
June 30, 2014**

14.0%

14.0%

Before charges/gains operating margin is operating margin derived in accordance with GAAP excluding restructuring and other charges. 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.