

**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 nine months ended			
	September 30, 2014	September 30, 2013	\$ change	% change	September 30, 2014	September 30, 2013	\$ change	% change
<b>CABINETS</b>								
Operating income before charges/gains <sup>(a)</sup>	\$ 36.5	\$ 36.8	\$ (0.3)	(1)	\$ 102.8	\$ 87.0	\$ 15.8	18
Restructuring charges	-	(1.4)	1.4	100	(0.3)	(1.9)	1.6	84
Other charges	-	-	-	-	-	-	-	-
Cost of products sold	-	(0.1)	0.1	100	-	(0.1)	0.1	100
Asset impairment charge	-	(21.2)	21.2	100	-	(21.2)	21.2	100
Operating income (GAAP)	\$ 36.5	\$ 14.1	\$ 22.4	159	\$ 102.5	\$ 63.8	\$ 38.7	61
<b>PLUMBING</b>								
Operating income before charges/gains <sup>(a)</sup>	\$ 76.0	\$ 65.9	\$ 10.1	15	\$ 201.3	\$ 176.2	\$ 25.1	14
Restructuring charges	0.3	-	0.3	100	1.2	-	1.2	100
Other charges	-	-	-	-	-	-	-	-
Cost of products sold	(0.4)	-	(0.4)	(100)	0.2	-	0.2	100
Selling, general and administrative expenses	(0.1)	-	(0.1)	(100)	(0.1)	-	(0.1)	(100)
Operating income (GAAP)	\$ 75.8	\$ 65.9	\$ 9.9	15	\$ 202.6	\$ 176.2	\$ 26.4	15
<b>DOORS</b>								
Operating income before charges/gains <sup>(a)</sup>	\$ 12.1	\$ 7.5	\$ 4.6	61	\$ 21.7	\$ 12.0	\$ 9.7	81
Operating income (GAAP)	\$ 12.1	\$ 7.5	\$ 4.6	61	\$ 21.7	\$ 12.0	\$ 9.7	81
<b>SECURITY &amp; STORAGE</b>								
Operating income before charges/gains <sup>(a)</sup>	\$ 27.6	\$ 29.5	\$ (1.9)	(6)	\$ 59.4	\$ 68.1	\$ (8.7)	(13)
Restructuring charges	(0.4)	-	(0.4)	(100)	(2.5)	-	(2.5)	(100)
Other charges	-	-	-	-	-	-	-	-
Cost of products sold	(0.1)	-	(0.1)	(100)	(0.2)	-	(0.2)	(100)
Operating income (GAAP)	\$ 27.1	\$ 29.5	\$ (2.4)	(8)	\$ 56.7	\$ 68.1	\$ (11.4)	(17)
<b>CORPORATE</b>								
Corporate expense before charges/gains <sup>(a)</sup>	\$ (14.0)	\$ (19.2)	\$ 5.2	27	\$ (42.6)	\$ (50.7)	\$ 8.1	16
Restructuring charges	-	-	-	-	(1.6)	-	(1.6)	(100)
Defined benefit plan actuarial losses <sup>(b)</sup>	(1.1)	(0.2)	(0.9)	(450)	(1.7)	(5.5)	3.8	69
Corporate expense (GAAP)	\$ (15.1)	\$ (19.4)	\$ 4.3	22	\$ (45.9)	\$ (56.2)	\$ 10.3	18
<b>FORTUNE BRANDS HOME &amp; SECURITY</b>								
Operating income before charges/gains <sup>(a)</sup>	\$ 138.2	\$ 120.5	\$ 17.7	15	\$ 342.6	\$ 292.6	\$ 50.0	17
Restructuring charges	(0.1)	(1.4)	1.3	93	(3.2)	(1.9)	(1.3)	(68)
Other charges	-	-	-	-	-	-	-	-
Cost of products sold	(0.5)	(0.1)	(0.4)	(400)	-	(0.1)	0.1	100
Selling, general and administrative expenses	(0.1)	-	(0.1)	(100)	(0.1)	-	(0.1)	(100)
Asset impairment charge	-	(21.2)	21.2	100	-	(21.2)	21.2	100
Defined benefit plan actuarial losses <sup>(b)</sup>	(1.1)	(0.2)	(0.9)	(450)	(1.7)	(5.5)	3.8	69
Operating income (GAAP)	\$ 136.4	\$ 97.6	\$ 38.8	40	\$ 337.6	\$ 263.9	\$ 73.7	28

(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, an asset impairment charge 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.**

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

#### **CABINETS**

**Before Charges/Gains Operating Margin**  
**GAAP Operating Margin**

**Three Months Ended  
September 30, 2014**

8.1%

8.1%

#### **PLUMBING**

**Before Charges/Gains Operating Margin**  
Restructuring & Other Charges  
**GAAP Operating Margin**

**Three Months Ended  
September 30, 2014**

22.0%

(0.1%)

21.9%

#### **DOORS**

**Before Charges/Gains Operating Margin**  
**GAAP Operating Margin**

**Three Months Ended  
September 30, 2014**

10.6%

10.6%

#### **SECURITY & STORAGE**

**Before Charges/Gains Operating Margin**  
Restructuring & Other Charges  
**GAAP Operating Margin**

**Three Months Ended  
September 30, 2014**

14.9%

(0.2%)

14.7%

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.

**FORTUNE BRANDS HOME & SECURITY, INC.**

**(In millions)**

**(Unaudited)**

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

**As of September 30, 2014**

Notes payable to banks <sup>(a)</sup>	\$ 3.5
Current portion of long-term debt <sup>(a)</sup>	26.2
Long-term debt <sup>(a)</sup>	653.8
Total debt	683.5
Less:	
Cash and cash equivalents <sup>(a)</sup>	175.1
Net debt (1)	508.4

**For the twelve months ended September 30, 2014**

EBITDA before charges/gains (2) <sup>(b)</sup>	526.1
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**Net debt-to-EBITDA before charges/gains ratio (1/2)**

1.0
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(a) Amounts are per the unaudited Condensed Consolidated Balance Sheet as of September 30, 2014.

	Nine Months Ended September 30, 2014	Three Months Ended December 31, 2013	Twelve Months Ended September 30, 2014
<b>Income from continuing operations, net of tax</b>	\$ 225.1	\$ 64.4	\$ 289.5
Depreciation	\$ 56.4	\$ 18.8	\$ 75.2
Amortization of intangible assets	9.6	3.1	12.7
Restructuring and other charges	3.3	1.7	5.0
Interest expense	7.2	1.7	8.9
Defined benefit plan actuarial losses (gains)	1.7	(0.4)	1.3
Income taxes	105.2	28.3	133.5
<b>EBITDA BEFORE CHARGES/GAINS</b>	<b>\$ 408.5</b>	<b>\$ 117.6</b>	<b>\$ 526.1</b>

(b) EBITDA before charges/gains is net income derived in accordance with GAAP excluding restructuring and other 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.