# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION
**Washington, D.C. 20549**

# Form 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the quarterly period ended September 30, 2013**

**OR**

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the transition period from __________ to __________**

**Commission file number 1-35166**

# FORTUNE BRANDS HOME & SECURITY, INC.
**(Exact name of Registrant as specified in its charter)**

| | |
|---|---|
| **DELAWARE**<br>**(State or other jurisdiction of incorporation or organization)** | **62-1411546**<br>**(I.R.S. Employer Identification No.)** |

**520 Lake Cook Road, Deerfield, Illinois 60015-5611**
**(Address of principal executive offices) (Zip Code)**

**Registrant's telephone number, including area code: (847) 484-4400**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). ☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

| | | | |
|---|---|---|---|
| Large accelerated filer | ☒ | Accelerated filer | ☐ |
| Non-accelerated filer | ☐ (Do not check if a smaller reporting company) | Smaller reporting company | ☐ |

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The number of shares outstanding of the registrant's common stock, par value $0.01 per share, at October 25, 2013 was 166,215,043.

## PART I. FINANCIAL INFORMATION

**Item 1. FINANCIAL STATEMENTS.**

**FORTUNE BRANDS HOME & SECURITY, INC.**
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**
**For the Nine and Three Months Ended September 30, 2013 and 2012**
(In millions, except per share amounts)
(Unaudited)

| | Nine Months Ended September 30, | | Three Months Ended September 30, | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| Net sales | $3,055.5 | $2,643.2 | $1,125.1 | $909.1 |
| Cost of products sold | 1,993.4 | 1,776.7 | 740.2 | 606.8 |
| Selling, general and administrative expenses | 767.4 | 699.6 | 259.6 | 236.2 |
| Amortization of intangible assets | 9.1 | 8.6 | 4.0 | 2.4 |
| Restructuring charges | 2.7 | 4.1 | 1.5 | 3.1 |
| Asset impairment charge | 21.2 | — | 21.2 | — |
| Operating income | 261.7 | 154.2 | 98.6 | 60.6 |
| Interest expense | 5.5 | 6.6 | 2.1 | 2.0 |
| Other expense (income), net | 5.4 | (0.6) | (0.5) | (0.8) |
| Income before income taxes | 250.8 | 148.2 | 97.0 | 59.4 |
| Income tax provision | 84.5 | 47.1 | 32.4 | 19.2 |
| Net income | 166.3 | 101.1 | 64.6 | 40.2 |
| Less: Noncontrolling interests | 0.8 | 0.8 | 0.4 | 0.2 |
| Net income attributable to Home & Security | $ 165.5 | $ 100.3 | $ 64.2 | $ 40.0 |
| Basic earnings per common share | $ 1.00 | $ 0.63 | $ 0.39 | $ 0.25 |
| Diluted earnings per common share | $ 0.97 | $ 0.61 | $ 0.37 | $ 0.24 |
| Dividends declared per common share | $ 0.30 | $ — | $ 0.20 | $ — |
| Comprehensive income | $ 187.5 | $ 114.8 | $ 64.3 | $ 54.0 |

See notes to condensed consolidated financial statements.

## FORTUNE BRANDS HOME & SECURITY, INC.
## CONDENSED CONSOLIDATED BALANCE SHEETS
(In millions)
(Unaudited)

| | September 30, 2013 | December 31, 2012 |
|---|---|---|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | $ 157.0 | $ 336.0 |
| Accounts receivable, net | 517.7 | 381.7 |
| Inventories | 463.1 | 357.2 |
| Other current assets | 135.8 | 153.0 |
| Total current assets | 1,273.6 | 1,227.9 |
| Property, plant and equipment, net | 513.5 | 509.4 |
| Goodwill | 1,521.1 | 1,381.4 |
| Other intangible assets, net of accumulated amortization | 760.7 | 683.6 |
| Other assets | 50.4 | 71.6 |
| Total assets | $ 4,119.3 | $ 3,873.9 |
| Liabilities and equity | | |
| Current liabilities | | |
| Notes payable to banks | $ 5.6 | $ 5.5 |
| Current portion of long-term debt | — | 22.5 |
| Accounts payable | 344.4 | 287.0 |
| Other current liabilities | 357.9 | 317.4 |
| Total current liabilities | 707.9 | 632.4 |
| Long-term debt | 350.0 | 297.5 |
| Deferred income taxes | 227.9 | 224.0 |
| Accrued defined benefit plans | 193.7 | 252.7 |
| Other non-current liabilities | 85.8 | 82.6 |
| Total liabilities | 1,565.3 | 1,489.2 |
| Equity | | |
| Home & Security stockholders' equity | | |
| Common stock(a) | 1.7 | 1.6 |
| Paid-in capital | 2,406.3 | 2,324.8 |
| Accumulated other comprehensive income | 51.6 | 30.6 |
| Retained earnings | 156.7 | 41.0 |
| Treasury stock | (65.8) | (16.9) |
| Total Home & Security stockholders' equity | 2,550.5 | 2,381.1 |
| Noncontrolling interests | 3.5 | 3.6 |
| Total equity | 2,554.0 | 2,384.7 |
| Total liabilities and equity | $ 4,119.3 | $ 3,873.9 |

*(a)* *Common stock, par value $0.01 per share; 166.0 million shares and 164.6 million shares issued at September 30, 2013 and December 31, 2012, respectively.*

See notes to condensed consolidated financial statements.

**FORTUNE BRANDS HOME & SECURITY, INC.**
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**
**For the Nine Months Ended September 30, 2013 and 2012**
(In millions)
(Unaudited)

| | 2013 | 2012 |
|---|---|---|
| Operating activities | | |
| Net income | $ 166.3 | $ 101.1 |
| Non-cash pre-tax expense: | | |
| Depreciation | 57.1 | 70.4 |
| Amortization | 9.1 | 8.6 |
| Stock-based compensation | 19.8 | 20.4 |
| Recognition of actuarial losses | 5.6 | 3.7 |
| Asset impairment charges | 27.4 | — |
| Loss (gain) on sale of property, plant and equipment | 0.8 | (3.0) |
| Deferred income taxes | (0.9) | 5.6 |
| Changes in assets and liabilities: | | |
| Increase in accounts receivable | (97.4) | (58.8) |
| Increase in inventories | (79.9) | (53.6) |
| Increase (decrease) in accounts payable | 40.8 | (8.1) |
| Decrease in other assets | 26.2 | 14.2 |
| (Decrease) increase in accrued expenses and other liabilities | (19.9) | 15.9 |
| Increase in accrued taxes | 11.2 | 3.0 |
| Net cash provided by operating activities | 166.2 | 119.4 |
| Investing activities | | |
| Capital expenditures | (55.2) | (46.0) |
| Proceeds from the disposition of assets | 2.1 | 12.6 |
| Cost of acquisition, net of cash | (302.0) | — |
| Other investing activities | (0.2) | (5.0) |
| Net cash used in investing activities | (355.3) | (38.4) |
| Financing activities | | |
| Increase in short-term debt, net | 0.9 | 1.5 |
| Issuance of long-term debt | 220.0 | 70.0 |
| Repayment of long-term debt | (190.0) | (137.5) |
| Proceeds from the exercise of stock options | 41.3 | 80.6 |
| Payment to Beam Inc. | — | (6.0) |
| Treasury stock purchases | (43.1) | (2.2) |
| Tax benefit on exercise of stock options | 16.5 | 5.9 |
| Dividends to stockholders | (33.2) | — |
| Other financing | (2.6) | (1.1) |
| Net cash provided by financing activities | 9.8 | 11.2 |
| Effect of foreign exchange rate changes on cash | 0.3 | 3.1 |
| Net (decrease) increase in cash and cash equivalents | $(179.0) | $ 95.3 |
| Cash and cash equivalents at beginning of period | $ 336.0 | $ 120.8 |
| Cash and cash equivalents at end of period | $ 157.0 | $ 216.1 |

See notes to condensed consolidated financial statements.

**FORTUNE BRANDS HOME & SECURITY, INC.**
**CONDENSED CONSOLIDATED STATEMENTS OF EQUITY**
**For the Nine Months Ended September 30, 2013 and 2012**
(In millions)
(Unaudited)

| | Common Stock | Paid-In Capital | Accumulated Other Comprehensive Income | Retained (Deficit) Earnings | Treasury Stock | Non-controlling Interests | Total Equity |
|---|---|---|---|---|---|---|---|
| Balance at December 31, 2011 | $ 1.6 | $2,186.4 | $ 10.6 | $ (77.7) | $ (0.1) | $ 3.7 | $2,124.5 |
| Comprehensive income: | | | | | | | |
| Net income | — | — | — | 100.3 | — | 0.8 | 101.1 |
| Other comprehensive income | — | — | 13.7 | — | — | — | 13.7 |
| Stock options exercised | — | 80.6 | — | — | — | — | 80.6 |
| Stock-based compensation | — | 20.6 | — | — | (4.9) | — | 15.7 |
| Tax benefit on exercise of stock options | — | 7.1 | — | — | — | — | 7.1 |
| Separation-related adjustments | — | (5.1) | — | — | — | — | (5.1) |
| Treasury stock purchases | — | — | — | — | (2.2) | — | (2.2) |
| Dividends paid to noncontrolling interests | — | — | — | — | — | (1.1) | (1.1) |
| Balance at September 30, 2012 | $ 1.6 | $2,289.6 | $ 24.3 | $ 22.6 | $ (7.2) | $ 3.4 | $2,334.3 |
| Balance at December 31, 2012 | $ 1.6 | $2,324.8 | $ 30.6 | $ 41.0 | $ (16.9) | $ 3.6 | $2,384.7 |
| Comprehensive income: | | | | | | | |
| Net income | — | — | — | 165.5 | — | 0.8 | 166.3 |
| Other comprehensive income | — | — | 21.0 | — | — | 0.2 | 21.2 |
| Stock options exercised | 0.1 | 41.3 | — | — | — | — | 41.4 |
| Stock-based compensation | — | 20.1 | — | — | (6.2) | — | 13.9 |
| Tax benefit on exercise of stock options [a] | — | 20.1 | — | — | — | — | 20.1 |
| Treasury stock purchase | — | — | — | — | (42.7) | — | (42.7) |
| Dividends ($0.30 per Common share) | — | — | — | (49.8) | — | — | (49.8) |
| Dividends paid to noncontrolling interests | — | — | — | — | — | (1.1) | (1.1) |
| Balance at September 30, 2013 | $ 1.7 | $2,406.3 | $ 51.6 | $156.7 | $ (65.8) | $ 3.5 | $2,554.0 |

[a] *Includes $4.1 million of adjustments related to prior years' vested and unvested Restricted Stock Units.*

See notes to condensed consolidated financial statements.

## 1. Basis of Presentation and Principles of Consolidation

References to "Home & Security," "the Company," "we," "our" and "us" refer to Fortune Brands Home & Security, Inc. and its consolidated subsidiaries as a whole, unless the context otherwise requires.

The Company is a leading home and security products company with a portfolio of leading branded products used for residential home repair, remodeling, new construction, security applications and storage.

The condensed consolidated balance sheet as of September 30, 2013, the related condensed consolidated statements of comprehensive income for the nine-month and three-month periods ended September 30, 2013 and 2012 and the related condensed consolidated statements of cash flows and equity for the nine-month periods ended September 30, 2013 and 2012 are unaudited. In the opinion of management, all adjustments necessary for a fair statement of the financial statements have been included. Interim results may not be indicative of results for a full year.

The condensed consolidated financial statements and notes are presented pursuant to the rules and regulations of the Securities and Exchange Commission and do not contain certain information included in our audited consolidated financial statements and notes. The year-end condensed consolidated balance sheet was derived from the audited consolidated financial statements, but does not include all disclosures required by U.S. generally accepted accounting principles ("GAAP"). This Quarterly Report on Form 10-Q should be read in conjunction with the audited consolidated financial statements and notes included in our Annual Report on Form 10-K for the year ended December 31, 2012.

## 2. Recently Issued Accounting Standards

*Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists*

In July 2013, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2013-11, "Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists." ASU 2013-11 provides explicit guidance on presentation in financial statements. The amendment is effective for reporting periods beginning after December 15, 2013 (calendar year 2014 for Home & Security). We believe that adoption of this standard will not have a material impact on our financial statements.

## 2. Recently Issued Accounting Standards (Continued)

*Parent's Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity*

In March 2013, the FASB issued ASU 2013-05, "Parent's Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity." ASU 2013-05 clarifies the accounting for the release of the cumulative translation adjustment into net income when a parent either sells a part or all of its investment in a foreign entity or no longer holds a controlling financial interest in a subsidiary or group of assets that is a business within a foreign entity. The ASU also clarifies the treatment of business combinations achieved in stages involving a foreign entity. The amendment is effective prospectively for reporting periods beginning after December 15, 2013 (calendar year 2014 for Home & Security). We believe that adoption of this standard will not have a material impact on our financial statements.

## 3. Balance Sheet Information

Supplemental information on our balance sheets is as follows:

| (In millions) | September 30, 2013 | December 31, 2012 |
|---|---|---|
| Inventories: | | |
| Raw materials and supplies | $ 186.3 | $ 144.3 |
| Work in process | 47.6 | 38.6 |
| Finished products | 229.2 | 174.3 |
| Total inventories | $ 463.1 | $ 357.2 |
| Property, plant and equipment, gross | $ 1,528.7 | $ 1,491.2 |
| Less: accumulated depreciation | 1,015.2 | 981.8 |
| Property, plant and equipment, net | $ 513.5 | $ 509.4 |

## 4. Acquisitions

In June 2013, our Kitchen & Bath Cabinetry business acquired Woodcrafters Home Products Holding, LLC ("WoodCrafters"), a manufacturer of bathroom vanities and tops for a purchase price of approximately $302 million, subject to certain post-closing adjustments. We paid the purchase price using a combination of cash on hand and borrowings under our existing credit facilities. This acquisition greatly expands our offerings of bathroom cabinetry products. Net sales and operating income of WoodCrafters in the third quarter of 2013 were approximately $60 million and $5 million, respectively.

The following table summarizes the preliminary allocation of the purchase price to estimated fair values of assets acquired and liabilities assumed as of the date of the acquisition. This allocation is expected to change after asset and liability valuations are finalized.

| (In millions) | |
|---|---|
| Accounts receivable | $ 41.4 |
| Inventories | 26.3 |
| Property, plant and equipment | 29.5 |
| Goodwill | 141.5 |
| Identifiable intangible assets | 89.4 |
| Other assets | 8.9 |
| Total assets | 337.0 |
| Other current liabilities and accruals | 35.0 |
| Net assets acquired | $302.0 |

As of the acquisition date, all of the acquired goodwill was tax deductible. Identifiable intangible assets primarily consisted of customer relationships ($75.9 million) and technology ($9.6 million). The useful lives of these identifiable intangible assets were 18 years and 10 years, respectively.

The following unaudited pro forma summary presents consolidated financial information as if WoodCrafters had been acquired on January 1, 2012. The unaudited pro forma financial information is based on historical results of operations and financial position of the Company and WoodCrafters. The pro forma results include adjustments for the impact of a preliminary allocation of the purchase price and interest expense associated with debt that would have been incurred in connection with the acquisition. The unaudited pro forma financial information does not necessarily represent the results that would have occurred had the acquisition occurred on January 1, 2012. In addition, the unaudited pro forma information should not be deemed to be indicative of future results.

**4. Acquisitions (Continued)**

| (In millions) | Nine Months Ended September 30, 2013 | Nine Months Ended September 30, 2012 | Three Months Ended September 30, 2013 | Three Months Ended September 30, 2012 |
|---|---|---|---|---|
| Net sales | $3,162.9 | $2,773.6 | $1,125.1 | $956.2 |
| Net income attributable to Home & Security | 175.1 | 105.2 | 64.2 | 44.7 |
| Basic earnings per common share | $ 1.06 | $ 0.66 | $ 0.39 | $ 0.28 |
| Diluted earnings per common share | $ 1.02 | $ 0.64 | $ 0.37 | $ 0.27 |

In December 2012, our Security & Storage business acquired a company for approximately $20 million in cash. Purchase price adjustments and the allocation of the purchase price were finalized in the first quarter of 2013. Our December 31, 2012 balance sheet was retrospectively adjusted to reflect the purchase price adjustments in accordance with Accounting Standards Codification ("ASC") requirements for Business Combinations, in particular a reduction in goodwill of $5.6 million and an increase in definite-lived intangible assets of $5.9 million. The acquisition was not material for the purposes of supplemental disclosure and does not have a material impact on our consolidated financial statements.

**5. Goodwill and Other Identifiable Intangible Assets**

The change in the net carrying amount of goodwill by segment was as follows:

| (In millions) | Kitchen & Bath Cabinetry | Plumbing & Accessories | Advanced Material Windows & Door Systems | Security & Storage | Total Goodwill |
|---|---|---|---|---|---|
| Goodwill at December 31, 2012 (a) | $ 491.8 | $ 569.7 | $ 229.1 | $ 90.8 | $1,381.4 |
| WoodCrafters acquisition | 141.5 | — | — | — | 141.5 |
| Year-to-date translation adjustments | (1.2) | — | — | (0.6) | (1.8) |
| Goodwill at September 30, 2013 (a) | $ 632.1 | $ 569.7 | $ 229.1 | $ 90.2 | $1,521.1 |

*(a) Net of accumulated impairment losses of $541.4 million ($451.3 million in the Advanced Material Windows & Door Systems segment and $90.1 million in the Security & Storage segment).*

Amortizable identifiable intangible assets, principally tradenames and customer relationships, are subject to amortization over their estimated useful life, 5 to 30 years, based on the assessment of a number of factors that may impact useful life. These factors include historical and tradename performance with respect to consumer name recognition, geographic market presence, market share, plans for ongoing tradename support and promotion and other relevant factors. The gross carrying value increase of $88.7 million was principally due to the identifiable intangible assets associated with the acquisition of WoodCrafters.

## 5. Goodwill and Other Identifiable Intangible Assets (Continued)

The gross carrying value and accumulated amortization by class of intangible assets as of September 30, 2013 and December 31, 2012 were as follows:

| | As of September 30, 2013 | | | As of December 31, 2012 | | |
|---|---|---|---|---|---|---|
| (In millions) | Gross Carrying Amounts | Accumulated Amortization | Net Book Value | Gross Carrying Amounts | Accumulated Amortization | Net Book Value |
| Indefinite-lived tradenames | $ 600.4 | $ (42.0)(a) | $558.4 | $ 603.4 | $ (42.0)(a) | $561.4 |
| Amortizable intangible assets | | | | | | |
| Tradenames | 20.0 | (7.4) | 12.6 | 17.8 | (6.9) | 10.9 |
| Customer and contractual relationships | 350.1 | (180.6) | 169.5 | 274.2 | (174.4) | 99.8 |
| Patents/proprietary technology | 63.2 | (43.0) | 20.2 | 52.6 | (41.1) | 11.5 |
| Total | 433.3 | (231.0) | 202.3 | 344.6 | (222.4) | 122.2 |
| Total identifiable intangibles | $1,033.7 | $ (273.0) | $760.7 | $ 948.0 | $ (264.4) | $683.6 |

*(a)* *Accumulated amortization prior to the adoption of revised ASC requirements for Intangibles – Goodwill and Other Assets.*

## 6. Asset Impairment Charges

At the end of the third quarter, our Kitchen and Bath Cabinetry segment completed an evaluation of its information technology strategy. The evaluation considered opportunities arising from the improving U.S. home market conditions. As a result of this evaluation, the segment abandoned certain software developed for internal use in order to redirect financial resources toward developing more flexible systems that provide industry leading content for consumers and more advanced tools for designers to deliver a superior purchasing experience for our customers. The abandonment of this internal use software resulted in a pre-tax impairment charge of $21.2 million, which was recorded in operating income and reduced property, plant and equipment.

## 6. Asset Impairment Charges (Continued)

In the first nine months of 2013, no events or circumstances occurred that would have required us to perform interim impairment tests of goodwill or indefinite-lived intangible assets. Any future reduction in the estimated fair value of the indefinite-lived tradenames that were impaired in the fourth quarter of 2012 would result in an impairment charge. The Company cannot predict the occurrence of certain events that might adversely affect the carrying value of goodwill and other intangible assets. Such events may include, but are not limited to, the impact of the economic environment, a material negative change in relationships with significant customers, and strategic decisions made in response to economic and competitive conditions. While our cash flow projections used to assess impairment of our goodwill and other intangible assets are influenced by a number of variables, they are most significantly influenced by our projection for the recovery of the U.S. home products markets in the next 3 to 5 years. We evaluate our projection of the U.S. home products market periodically and in connection with our annual operating plans finalized in the fourth quarter of each year. The U.S. home products market is highly dependent on U.S. new home construction. Our projection for the U.S. home products markets is inherently subject to a number of uncertain factors, such as employment, home prices, credit availability, and the rate of home foreclosures. Significant changes in these and other factors could cause us to change our cash flow projections in future periods which could trigger impairment of goodwill or indefinite-lived intangible assets in the period in which such changes occur.

## 7. External Debt and Financing Arrangements

We have a $650 million committed revolving credit facility, as well as a $350 million term loan. In July 2013, these facilities were renewed under essentially the same terms and conditions, extending the maturity date from October 2016 to July 2018. The outstanding borrowings under the term loan were $350.0 million and $320.0 million as of September 30, 2013 and December 31, 2012, respectively. In connection with the modification of the term loan, we recorded a $0.3 million write-off of unamortized deferred loan costs in interest expense. There were no outstanding balances under the revolving credit facility as of September 30, 2013 and December 31, 2012. The interest rates under these facilities are variable based on LIBOR at the time of the borrowing and the Company’s leverage as measured by a debt to Adjusted EBITDA ratio (as defined in the agreements governing the facilities). Based upon the Company’s debt to Adjusted EBITDA ratio, the Company’s borrowing rate could range from LIBOR + 1.0% to LIBOR + 2.0%. As of September 30, 2013, we were in compliance with all covenants under these facilities.

At September 30, 2013 and December 31, 2012, there were $5.6 million and $5.5 million of external short-term borrowings outstanding, respectively, comprised of notes payable to banks that are used for general corporate purposes. These amounts pertained to uncommitted bank lines of credit in China and India, which provide for unsecured borrowings for working capital of up to $22.7 million in aggregate, as of both September 30, 2013 and December 31, 2012. The weighted-average interest rates on these borrowings were 12.4% and 12.3% in the nine-month periods ended September 30, 2013 and 2012, respectively. The weighted-average interest rates on these borrowings were 12.5% in the three-month periods ended September 30, 2013 and 2012.

## 8. Financial Instruments

We do not enter into derivative instruments for trading or speculative purposes. We principally use financial instruments to reduce the impact of changes in foreign currency exchange rates and commodities used as raw materials in our products. The principal derivative financial instruments we enter into on a routine basis are foreign exchange contracts.

Our primary foreign currency hedge contracts pertain to the Canadian dollar, the Chinese yuan, the Mexican peso and the Euro. The gross U.S. dollar equivalent notional amount of all of our foreign currency derivative hedges outstanding at September 30, 2013 was $167.1 million, representing a net receivable of $1.7 million. Based on foreign exchange rates as of September 30, 2013, we estimate that $1.3 million of pre-tax foreign currency derivative net gains included in other comprehensive income as of September 30, 2013 will be reclassified to earnings within the next twelve months.

The fair values of derivative instruments on the consolidated balance sheets as of September 30, 2013 and December 31, 2012 were:

| | | Fair Value | |
|---|---|---|---|
| (In millions) | | September 30, 2013 | December 31, 2012 |
| Assets | | | |
| Foreign exchange contracts | Other current assets | $ 1.9 | $ 1.0 |
| Commodity contracts | Other current assets | — | 0.2 |
| | Total assets | $ 1.9 | $ 1.2 |
| Liabilities | | | |
| Foreign exchange contracts | Other current liabilities | $ 0.2 | $ 0.8 |
| Commodity contracts | Other current liabilities | 0.1 | 0.1 |
| Net investment hedges | Other current liabilities | 0.4 | — |
| | Total liabilities | $ 0.7 | $ 0.9 |

## 8. Financial Instruments (Continued)

The effects of derivative financial instruments on the statements of comprehensive income for the nine and three months ended September 30, 2013 and 2012 were:

| (In millions) Type of hedge | Gain (Loss) Recognized in Income in Nine Months Ended September 30, Location | 2013 | 2012 |
|---|---|---|---|
| Cash flow | Net sales | $— | $ 0.1 |
| | Cost of products sold | 2.3 | 0.5 |
| Fair value | Other income (expense), net | 1.3 | (0.5) |
| Total | | $ 3.6 | $ 0.1 |

| (In millions) Type of hedge | Gain (Loss) Recognized in Income in Three Months Ended September 30, Location | 2013 | 2012 |
|---|---|---|---|
| Cash flow | Cost of products sold | $ 0.9 | $ 0.2 |
| Fair value | Other income (expense), net | 1.3 | (1.1) |
| Total | | $ 2.2 | $(0.9) |

In the nine months ended September 30, 2013 and 2012, for cash flow hedges that are effective, the amounts recognized in other comprehensive income were $3.3 million and $(1.3) million, respectively. In the three months ended September 30, 2013 and 2012, for cash flow hedges that are effective, the amounts recognized in other comprehensive income were $1.0 million and $(1.4) million, respectively. In the nine and three months ended September 30, 2013 and 2012, the ineffective portion of cash flow hedges recognized in other expense (income), net, was insignificant.

## 9. Fair Value Measurements

Assets and liabilities measured at fair value on a recurring basis as of September 30, 2013 and December 31, 2012 were as follows:

| (In millions) | Fair Value September 30, 2013 | Fair Value December 31, 2012 |
|---|---|---|
| Assets | | |
| Derivative financial instruments (level 2) | $ 1.9 | $ 1.2 |
| Deferred compensation program assets (level 1) | 3.3 | 3.6 |
| Total assets | $ 5.2 | $ 4.8 |
| Liabilities | | |
| Derivative financial instruments (level 2) | $ 0.7 | $ 0.9 |

The principal derivative financial instruments we enter into on a routine basis are foreign exchange contracts. Derivative financial instruments are recorded at fair value.

ASC requirements for Fair Value Measurements and Disclosures establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels. Level 1 inputs, the highest priority, are quoted prices in active markets for identical assets or liabilities. Level 2 inputs reflect inputs other than quoted prices included in Level 1 that are either observable directly or through corroboration with observable market data. Level 3 inputs are unobservable inputs, due to little or no market activity for the asset or liability, such as internally-developed valuation models. We do not have any assets or liabilities measured at fair value on a recurring basis that are Level 3.

The carrying value of the Company’s long-term debt as of September 30, 2013 and December 31, 2012 of $350.0 million and $320.0 million, respectively, approximated its fair value. The fair value of the Company’s long-term debt was determined primarily by using broker quotes, which are Level 2 inputs.

## 10. Defined Benefit Plans

The components of net periodic benefit cost for pension and postretirement benefits for the nine and three months ended September 30, 2013 and 2012 were as follows:

| | Nine Months Ended September 30, | | | |
|---|---|---|---|---|
| | Pension Benefits | | Postretirement Benefits | |
| (In millions) | 2013 | 2012 | 2013 | 2012 |
| Service cost | $ 8.6 | $ 9.1 | $ 0.3 | $ 0.3 |
| Interest cost | 22.5 | 23.0 | 1.3 | 3.1 |
| Expected return on plan assets | (31.3) | (27.7) | — | — |
| Amortization of prior service costs (credits) | 0.1 | 0.3 | (21.5) | 0.3 |
| Recognition of actuarial losses | 0.8 | 1.9 | 4.8 | 1.8 |
| Curtailment and settlement losses | 0.1 | — | 0.1 | — |
| Net periodic benefit cost | $ 0.8 | $ 6.6 | $ (15.0) | $ 5.5 |

| | Three Months Ended September 30, | | | |
|---|---|---|---|---|
| | Pension Benefits | | Postretirement Benefits | |
| (In millions) | 2013 | 2012 | 2013 | 2012 |
| Service cost | $ 2.3 | $ 1.6 | $ 0.1 | $ 0.1 |
| Interest cost | 7.5 | 7.7 | 0.3 | 1.0 |
| Expected return on plan assets | (10.5) | (9.2) | — | — |
| Amortization of prior service costs (credits) | — | 0.1 | (5.7) | 0.1 |
| Recognition of actuarial losses (gains) | 0.7 | 1.9 | (0.5) | 1.8 |
| Curtailment and settlement losses | 0.1 | — | 0.1 | — |
| Net periodic benefit cost | $ 0.1 | $ 2.1 | $ (5.7) | $ 3.0 |

In the fourth quarter of 2012 and first half of 2013, we amended certain postretirement benefit plans to reduce health benefits for certain current and retired employees. The impact of these changes was a reduction in accrued retiree benefit plans of $29.8 million in the fourth quarter of 2012 and $34.8 million in the first nine months of 2013, and we recognized actuarial losses of $4.8 million in the first nine months of 2013 due to a decrease in the discount rate and a resulting lower threshold for loss recognition because of the reduced postretirement obligation. Liability reductions from these plan amendments are recorded as amortization of prior service credits in net income in accordance with accounting requirements. In addition, in the first quarter of 2013, we communicated to certain employees our decision to freeze an hourly pension plan by December 31, 2016. As a result, we remeasured our pension liability, updating our pension measurement assumptions, and recorded a $20.0 million reduction in the liability. The curtailment charge associated with this pension freeze was insignificant. See Note 17, “Accumulated Other Comprehensive Income,” for information on the impact on accumulated other comprehensive income. Due to higher interest rates and higher than expected returns on pension plan assets through September 30, 2013, we do not expect to make pension contributions in 2013.

## 11. Income Taxes

The effective income tax rates for the nine months ended September 30, 2013 and 2012 were 33.7% and 31.8%, respectively. The effective income tax rate in 2013 was unfavorably impacted by an investment impairment charge for which we could not record an income tax benefit and favorably impacted by the tax benefits associated with the extension of the research and development credit under The American Taxpayer Relief Act of 2012, including the full-year credit attributable to 2012. The effective income tax rate in 2012 was favorably impacted by a discrete foreign income tax benefit and a decrease in the valuation allowance related to certain restructuring actions.

The effective income tax rates for the three months ended September 30, 2013 and 2012 were 33.4% and 32.3%, respectively. The effective income tax rate in 2012 was favorably impacted by a decrease in the valuation allowance related to certain restructuring actions.

It is reasonably possible that, within the next 12 months, total unrecognized tax benefits may decrease in the range of $2.5 million to $3.5 million, primarily as a result of the conclusion of pending U.S. federal, state and foreign income tax proceedings.

On September 13, 2013, the Treasury Department and Internal Revenue Service issued the final tangible property repair regulations that are effective for years beginning on or after January 1, 2014. While we are still analyzing the final impact of these regulations on our 2013 financial statements, we do not expect the impact to be significant.

## 12. Product Warranties

We generally record warranty expense at the time of sale. We offer our customers various warranty terms based on the type of product that is sold. Warranty expense is determined based on historic claim experience and the nature of the product category. The following table summarizes activity related to our product warranty liability for the nine months ended September 30, 2013 and 2012, respectively.

| | Nine Months Ended September 30, | |
|---|---|---|
| (In millions) | 2013 | 2012 |
| Reserve balance at January 1, | $ 14.3 | $ 13.9 |
| Provision for warranties issued | 14.9 | 12.7 |
| Settlements made (in cash or in kind) | (14.4) | (12.7) |
| Reserve balance at September 30, | $ 14.8 | $ 13.9 |

## 13. Information on Business Segments

Net sales and operating income for the nine months ended September 30, 2013 and 2012 by segment were as follows:

| (In millions) | Nine Months Ended September 30, 2013 | 2012 | % Change vs. Prior Year |
|---|---|---|---|
| Net Sales | | | |
| Kitchen & Bath Cabinetry | $1,186.3 | $ 987.1 | 20.2% |
| Plumbing & Accessories | 969.6 | 804.2 | 20.6 |
| Advanced Material Windows & Door Systems | 481.7 | 431.4 | 11.7 |
| Security & Storage | 417.9 | 420.5 | (0.6) |
| Net sales | $3,055.5 | $2,643.2 | 15.6% |
| Operating Income | | | |
| Kitchen & Bath Cabinetry | $ 63.8 | $ 14.1 | — % |
| Plumbing & Accessories | 176.2 | 127.5 | 38.2 |
| Advanced Material Windows & Door Systems | 9.8 | 4.4 | — |
| Security & Storage | 68.1 | 54.2 | 25.6 |
| Less: Corporate expenses | (56.2) | (46.0) | (22.2) |
| Operating income | $ 261.7 | $ 154.2 | 69.7% |
| Corporate expenses | | | |
| General and administrative expense | $ (58.2) | $ (44.9) | |
| Defined benefit plan costs | 2.0 | (1.1) | |
| Total Corporate expenses | $ (56.2) | $ (46.0) | (22.2)% |

## 13. Information on Business Segments (Continued)

Net sales and operating income for the three months ended September 30, 2013 and 2012 by segment were as follows:

| | Three Months Ended September 30, | | |
|---|---|---|---|
| (In millions) | 2013 | 2012 | % Change vs. Prior Year |
| Net Sales | | | |
| Kitchen & Bath Cabinetry | $ 448.6 | $329.7 | 36.1% |
| Plumbing & Accessories | 338.1 | 278.2 | 21.5 |
| Advanced Material Windows & Door Systems | 181.0 | 158.4 | 14.3 |
| Security & Storage | 157.4 | 142.8 | 10.2 |
| Net sales | $1,125.1 | $909.1 | 23.8% |
| Operating Income | | | |
| Kitchen & Bath Cabinetry | $ 14.1 | $ 1.5 | — % |
| Plumbing & Accessories | 65.9 | 48.5 | 35.9 |
| Advanced Material Windows & Door Systems | 8.5 | 9.2 | (7.6) |
| Security & Storage | 29.5 | 20.8 | 41.8 |
| Less: Corporate expenses | (19.4) | (19.4) | — |
| Operating income | $ 98.6 | $ 60.6 | 62.7% |
| Corporate expenses | | | |
| General and administrative expense | $ (21.9) | $ (16.2) | |
| Defined benefit plan costs | 2.5 | (3.2) | |
| Total Corporate expenses | $ (19.4) | $ (19.4) | — % |

## 14. Other Expense (Income), Net

The components of other expense (income), net, were as follows:

| | Nine Months Ended September 30, | | Three Months Ended September 30, | |
|---|---|---|---|---|
| (In millions) | 2013 | 2012 | 2013 | 2012 |
| Asset impairment charge | $ 6.2 | $ — | $ — | $ — |
| Other | (0.8) | (0.6) | (0.5) | (0.8) |
| Total other expense (income), net | $ 5.4 | $ (0.6) | $ (0.5) | $ (0.8) |

In the second quarter of 2013, we recorded a $6.2 million impairment charge pertaining to a cost method investment due to an other-than-temporary decline in the fair value of the investment. As a result of the impairment, the carrying value of the investment was reduced to zero and the Company is not subject to further impairment or funding obligations with regard to this investment.

## 15. Restructuring and Other Charges

Pre-tax restructuring and other charges for the nine and three months ended September 30, 2013 and 2012 are shown below.

| | Nine Months Ended September 30, 2013 | | |
|---|---|---|---|
| (In millions) | Restructuring Charges | Other Charges (a) | Total Charges |
| Kitchen & Bath Cabinetry | $ 1.9 | $ 0.1 | $ 2.0 |
| Advanced Material Windows & Door Systems | 0.8 | — | 0.8 |
| Total | $ 2.7 | $ 0.1 | $ 2.8 |

| | Nine Months Ended September 30, 2012 | | |
|---|---|---|---|
| (In millions) | Restructuring Charges | Other Charges (a) | Total Charges |
| Kitchen & Bath Cabinetry | $ 3.6 | $ 10.0 | $ 13.6 |
| Advanced Material Windows & Door Systems | 1.0 | (3.5) | (2.5) |
| Security & Storage | (0.5) | — | (0.5) |
| Total | $ 4.1 | $ 6.5 | $ 10.6 |

| | Three Months Ended September 30, 2013 | | |
|---|---|---|---|
| (In millions) | Restructuring Charges | Other Charges (a) | Total Charges |
| Kitchen & Bath Cabinetry | $ 1.4 | $ 0.1 | $ 1.5 |
| Advanced Material Windows & Door Systems | 0.1 | — | 0.1 |
| Total | $ 1.5 | $ 0.1 | $ 1.6 |

| | Three Months Ended September 30, 2012 | | |
|---|---|---|---|
| (In millions) | Restructuring Charges | Other Charges (a) | Total Charges |
| Kitchen & Bath Cabinetry | $ 2.6 | $ 9.0 | $ 11.6 |
| Advanced Material Windows & Door Systems | 0.5 | (3.5) | (3.0) |
| Total | $ 3.1 | $ 5.5 | $ 8.6 |

*(a)* *"Other Charges" represent charges directly related to restructuring initiatives that cannot be reported as restructuring under U.S. 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 the third quarter of 2012, we initiated a restructuring action in the Kitchen & Bath Cabinetry segment to close our Martinsville, Virginia cabinet manufacturing facility to further enhance the efficiency and flexibility of our supply chains. As a result, we recorded restructuring and other charges of $12.1 million.

The Company's restructuring liability was not material as of September 30, 2013 and December 31, 2012.

## 16. Earnings Per Share

The computations of earnings per common share were as follows:

| (In millions, except per share data) | Nine Months Ended September 30, 2013 | Nine Months Ended September 30, 2012 | Three Months Ended September 30, 2013 | Three Months Ended September 30, 2012 |
|---|---|---|---|---|
| Net income attributable to Home & Security | $165.5 | $100.3 | $ 64.2 | $ 40.0 |
| Basic earnings per common share | $ 1.00 | $ 0.63 | $ 0.39 | $ 0.25 |
| Diluted earnings per common share | $ 0.97 | $ 0.61 | $ 0.37 | $ 0.24 |
| Basic average shares outstanding | 165.2 | 159.8 | 166.0 | 161.2 |
| Stock-based awards | 5.9 | 5.3 | 5.6 | 5.8 |
| Diluted average shares outstanding | 171.1 | 165.1 | 171.6 | 167.0 |
| Antidilutive stock-based awards excluded from weighted-average number of shares outstanding for diluted earnings per share | 0.8 | 0.8 | 0.7 | 0.4 |

## 17. Accumulated Other Comprehensive Income

Total accumulated other comprehensive income consists of net income and other changes in business equity from transactions and other events from sources other than shareholders. It includes currency translation gains and losses, unrealized gains and losses from derivative instruments designated as cash flow hedges, and defined benefit plan adjustments. The components of and changes in accumulated other comprehensive income, net of tax, were as follows:

| (In millions) | Foreign Currency Adjustments | Derivative Hedging Gains | Defined Benefit Plan Adjustments | Accumulated Other Comprehensive Income |
|---|---|---|---|---|
| Balance at December 31, 2012 | $ 63.5 | $ 0.2 | $ (33.1) | $ 30.6 |
| Amounts classified into accumulated other comprehensive income | (3.9) | 2.0 | 33.7(a) | 31.8 |
| Amounts reclassified from accumulated other comprehensive income | — | (1.4) | (9.4) | (10.8) |
| Net current period other comprehensive income | (3.9) | 0.6 | 24.3 | 21.0 |
| Balance at September 30, 2013 | $ 59.6 | $ 0.8 | $ (8.8) | $ 51.6 |

*(a)* *See Note 10, “Defined Benefit Plans,” for further information on the adjustments related to defined benefit plans.*

## 17. Accumulated Other Comprehensive Income (Continued)

The reclassifications out of accumulated other comprehensive income for the nine and three months ended September 30, 2013 were as follows:

(In millions)

| Details about Accumulated Other Comprehensive Income Components | Amount Reclassified from Accumulated Other Comprehensive Income Nine Months Ended September 30, 2013 | Three Months Ended September 30, 2013 | Affected Line Item in the Statement of Comprehensive Income |
|---|---|---|---|
| Gains (losses) on cash flow hedges | | | |
| Foreign exchange contracts | $ 2.6 | $ 1.1 | Cost of products sold |
| Commodity contract | (0.3) | (0.2) | Cost of products sold |
| | 2.3 | 0.9 | Total before tax |
| | (0.9) | (0.5) | Tax expense |
| | $ 1.4 | $ 0.4 | Net of tax |
| Defined benefit plan items | | | |
| Amortization of prior service cost | $ 21.4 | $ 5.7 | (a) |
| Recognition of actuarial losses | (5.6) | (0.2) | (a) |
| Curtailment and settlement losses | (0.2) | (0.2) | (a) |
| | 15.6 | 5.3 | Total before tax |
| | (6.2) | (2.2) | Tax expense |
| | $ 9.4 | $ 3.1 | Net of tax |
| Total reclassifications for the period | $ 10.8 | $ 3.5 | Net of tax |

(a) *These accumulated other comprehensive income components are included in the computation of net periodic benefit cost. Refer to Note 10, "Defined Benefit Plans," for additional information.*

## 18. Contingencies

### Litigation

We are defendants in lawsuits associated with the normal conduct of our businesses and operations. It is not possible to predict the outcome of the pending actions, and, as with any litigation, it is possible that these actions could be decided unfavorably to the Company. The Company believes that there are meritorious defenses to these actions and that these actions will not have a material adverse effect upon our results of operations, cash flows or financial condition, and where appropriate, these actions are being vigorously contested.

**18. Contingencies (Continued)**

**Environmental**

Compliance with federal, state and local laws regulating the discharge of materials into the environment, or otherwise relating to the protection of the environment, did not have a material effect on capital expenditures, earnings or the competitive position of Home & Security during the nine months ended September 30, 2013 and 2012. We are involved in remediation activities to clean up hazardous wastes as required by federal and state laws. Liabilities for remediation costs of each site are based on our best estimate of undiscounted future costs, excluding possible insurance recoveries or recoveries from other third parties. Uncertainties about the status of laws, regulations, technology and information related to individual sites make it difficult to develop estimates of environmental remediation exposures.

**Item 2.** **FORTUNE BRANDS HOME & SECURITY, INC. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.**

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our unaudited condensed consolidated financial statements and the notes thereto, which are included in this report, as well as our audited consolidated financial statements for the year ended December 31, 2012, which are included in our Annual Report on Form 10-K for the year ended December 31, 2012.

This discussion contains forward-looking statements that are made pursuant to the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Act of 1934, as amended (the "Exchange Act"), regarding business strategies, market potential, future financial performance and other matters. Statements preceded by, followed by or that otherwise include the words "believes," "expects," "anticipates," "intends," "projects," "estimates," "plans" and similar expressions or future or conditional verbs such as "will," "should," "would," "may" and "could" are generally forward-looking in nature and not historical facts. The forward-looking statements are not historical facts, but rather are based on expectations, estimates, assumptions and projections about our industry, business and future financial results, based on information available at the time this report is filed with the Securities and Exchange Commission, or with respect to any document incorporated by reference, available as of the time such document was prepared. Our actual results could differ materially from the results contemplated by these forward-looking statements due to a number of factors, including but not limited to: (i) our reliance on the North American home improvement, repair and new home construction activity levels, (ii) the North American and larger global economies, (iii) risk associated with entering into potential strategic acquisitions and integrating and operating acquired businesses, (iv) our ability to remain innovative and protect our intellectual property, (v) our reliance on key customers and suppliers, (vi) the cost and availability associated with our supply chains and the availability of raw materials, (vii) risk of increases in our postretirement benefit-related costs and funding requirements and (viii) changes in tax, environmental and federal and state laws and industry regulatory standards. These and other factors are discussed in Part I, Item 1A "Risk Factors" of our Annual Report on Form 10-K for the year ended December 31, 2012, which is hereby incorporated herein by reference. We undertake no obligation to, and expressly disclaim any such obligation to, update or revise any forward-looking statements to reflect changed assumptions, the occurrence of anticipated or unanticipated events, new information or changes to future results over time or otherwise, except as required by law.

## OVERVIEW

References to "Home & Security," "the Company," "we," "our" and "us" refer to Fortune Brands Home & Security, Inc. and its consolidated subsidiaries as a whole, unless the context otherwise requires. The Company is a leader in home and security products with companies focused on the design, manufacture and sale of market leading branded products in the following categories: kitchen and bath cabinetry, plumbing and accessories, advanced material windows products and entry door systems, and security and storage products.

With a foundation of market-leading brands across a diversified mix of channels, and lean and flexible supply chains, as well as a tradition of strong innovation and customer service, we are focused on outperforming our markets in both growth and returns and driving increased shareholder value. We believe the Company's track record reflects the long-term attractiveness and potential of our categories and our leading brands. As consumer demand and the housing market improve from current levels, we expect the benefits of operating leverage and strategic spending will help us to substantially improve profitability.

We believe our most attractive opportunities are to invest in profitable organic growth initiatives. In addition, we may invest in add-on acquisitions that leverage our existing brands and infrastructure, and we may undertake share repurchases under our share repurchase program as explained in further detail under "Liquidity and Capital Resources" below. In the second quarter of 2013, our Board of Directors declared our first dividend since becoming a publicly-traded company in October 2011, declaring a regular quarterly dividend of $0.10 per share of common stock.

In June 2013, our Kitchen & Bath Cabinetry business acquired Woodcrafters Home Products Holding, LLC ("WoodCrafters"), a manufacturer of bathroom vanities and tops, for a purchase price of approximately $302 million, subject to certain post-closing adjustments. We paid the purchase price using a combination of cash on hand and borrowings under our existing credit facilities. The financial results of WoodCrafters are included in the Company's results of operations and cash flows beginning in the third quarter of 2013. This acquisition greatly expands our offering of bathroom cabinetry products.

The U.S. market for our home products consists of spending on both new home construction and repair and remodel activities within existing homes, with the substantial majority of the markets we serve consisting of repair and remodel spending. During the first nine months of 2013, the U.S. home products market continued to grow with the expansion of both new home construction and repair and remodel activities. In the second and third quarters, we experienced strengthening in larger ticket repair and remodel activities which had been lagging the overall market. Larger ticket repair and remodel activities are particularly impactful to our cabinet and window products. We expect that the recovery in the U.S. market for our home products from the current low levels may be gradual and uneven. The recovery largely depends on consumer confidence, employment, home prices and credit availability. Over the long term, we believe that the U.S. home products market will benefit from favorable population and immigration trends, which will drive demand for new housing units, and from aging existing housing stock that will continue to need to be repaired and remodeled.

We remain focused on our initiatives designed to outperform our markets. We believe our strong brand positions across a diversified mix of channels, consumer-focused innovation, flexible and efficient supply chains, and excellent customer service position our business to perform well in the marketplace. We may be impacted by fluctuations in raw material and transportation costs and promotional activity among our competitors for big-ticket discretionary purchases such as kitchen cabinets may continue. We strive to offset the potential unfavorable impact of these items with productivity initiatives and price increases.

## RESULTS OF OPERATIONS

### Nine Months Ended September 30, 2013 Compared To Nine Months Ended September 30, 2012

| (In millions) | Net Sales 2013 | Net Sales 2012 | % Change vs. Prior Year |
|---|---|---|---|
| Kitchen & Bath Cabinetry | $1,186.3 | $ 987.1 | 20.2% |
| Plumbing & Accessories | 969.6 | 804.2 | 20.6 |
| Advanced Material Windows & Door Systems | 481.7 | 431.4 | 11.7 |
| Security & Storage | 417.9 | 420.5 | (0.6) |
| Net sales | $3,055.5 | $2,643.2 | 15.6% |

| | Operating Income 2013 | Operating Income 2012 | % Change vs. Prior Year |
|---|---|---|---|
| Kitchen & Bath Cabinetry | $ 63.8 | $ 14.1 | — % |
| Plumbing & Accessories | 176.2 | 127.5 | 38.2 |
| Advanced Material Windows & Door Systems | 9.8 | 4.4 | — |
| Security & Storage | 68.1 | 54.2 | 25.6 |
| Less: Corporate expenses | (56.2) | (46.0) | (22.2) |
| Operating income | $ 261.7 | $ 154.2 | 69.7% |

The following discussion of consolidated results of operations and segment results refers to the nine months ended September 30, 2013 compared to the nine months ended September 30, 2012. Consolidated results of operations should be read in conjunction with segment results of operations.

*Net sales*

Net sales increased $412.3 million, or 16%. The increase was due to higher sales volume, primarily from improved U.S. market conditions for home products, as well as a benefit of approximately $60 million from the acquisition of WoodCrafters. Net sales also benefited from price increases that helped mitigate raw material and transportation cost increases.

*Cost of products sold*

Cost of products sold increased $216.7 million, or 12%, due to higher sales volume and the impact of the WoodCrafters acquisition, partially offset by the benefit of productivity improvements and $17.6 million of amortization of prior service credits related to defined benefit plan amendments that reduced health benefits for certain current and retired employees. Cost of products sold also benefited from the absence in 2013 of $9.7 million in charges for the 2012 restructuring action to close our Martinsville, Virginia cabinet manufacturing facility.

*Selling, general and administrative expenses*

Selling, general and administrative expenses increased $67.8 million, or 10%, due to higher volume-related expenses and planned increases in strategic spending to support growth initiatives that included approximately $15 million of higher advertising spending. Administrative expenses also increased approximately $4 million due to higher acquisition-related expenses associated with the acquisition of WoodCrafters and a non-recurring benefit in 2012 from the reduction of a contingent consideration liability.

*Amortization of intangible assets*

Amortization of intangible assets increased $0.5 million due to $1.5 million of amortization of identifiable intangible assets associated with the WoodCrafters acquisition, partially offset by an identifiable intangible asset that was fully amortized in the second quarter of 2012.

*Restructuring charges*

Restructuring charges of $2.7 million and $4.1 million in the nine months ended September 30, 2013 and 2012, respectively, related to supply chain initiatives.

*Asset impairment charge*

At the end of the third quarter, our Kitchen and Bath Cabinetry segment completed an evaluation of its information technology strategy. The evaluation considered opportunities arising from the improving U.S. home market conditions. As a result of this evaluation, the segment abandoned certain software developed for internal use in order to redirect financial resources toward developing more flexible systems that provide industry leading content for consumers and more advanced tools for designers to deliver a superior purchasing experience for our customers. The abandonment of this internal use software resulted in a pre-tax impairment charge of $21.2 million, which was recorded in operating income and reduced property, plant and equipment, and will not materially impact current or future cash flow or future operating income.

*Operating income*

Operating income increased $107.5 million, or 70%, primarily due to higher sales volume from our growth initiatives and improving U.S. home products market conditions, as well as the acquisition of WoodCrafters. In addition, the following items had a significant impact on operating income:

| (In millions) | 2013 | 2012 | Increase/(decrease) In operating income |
|---|---|---|---|
| Asset impairment charge | $21.2 | $ — | $ (21.2) |
| Restructuring and other charges | 2.8 | 10.6 | 7.8 |

## RESULTS OF OPERATIONS (Continued)

*Interest expense*

Interest expense decreased $1.1 million due to lower average external borrowings.

*Other expense (income), net*

Other expense (income), net, was expense of $5.4 million in the nine months ended September 30, 2013, compared to income of $0.6 million in the nine months ended September 30, 2012. The change of $6.0 million was primarily due to a second quarter 2013 impairment charge of $6.2 million pertaining to a cost method investment.

*Income taxes*

The effective income tax rates for the nine months ended September 30, 2013 and 2012 were 33.7% and 31.8%, respectively. The effective income tax rate in 2013 was unfavorably impacted by an impairment charge of a cost method investment for which we could not presently record an income tax benefit and favorably impacted by the tax benefits associated with the extension of the research and development credit under The American Taxpayer Relief Act of 2012, including the full-year credit attributable to 2012. The effective income tax rate in 2012 was favorably impacted by a discrete foreign income tax benefit and a decrease in the valuation allowance related to certain restructuring actions.

On September 13, 2013, the Treasury Department and Internal Revenue Service issued the final tangible property repair regulations that are effective for years beginning on or after January 1, 2014. While we are still analyzing the final impact of these regulations on our 2013 financial statements, we do not expect the impact to be significant.

*Noncontrolling interests*

Noncontrolling interest was $0.8 million in the nine months ended September 30, 2013 and 2012.

*Net income attributable to Home & Security*

Net income attributable to Home & Security was $165.5 million in the nine months ended September 30, 2013 compared to $100.3 million in the nine months ended September 30, 2012. The increase of $65.2 million was primarily due to higher operating income, partially offset by an increase in other expense (income), net, and the impact of the higher effective income tax rate.

## Results By Segment

### Kitchen & Bath Cabinetry

Net sales increased $199.2 million, or 20%, due to higher sales volume, primarily from improved U.S. market conditions in both new construction and repair and remodel activity. Net sales also benefited from the acquisition of WoodCrafters (approximately $60 million) and price increases that helped mitigate raw material and transportation cost increases.

Operating income increased $49.7 million to $63.8 million due to higher sales volume. Operating income also benefited from price increases and productivity improvements, including cost savings from previously announced restructuring actions, as well as the impact of the acquisition of WoodCrafters. Restructuring and other charges decreased by $11.6 million due to the absence in 2013 of the 2012 restructuring action to close our Martinsville, Virginia cabinet manufacturing facility. Operating income was unfavorably impacted by an asset impairment charge of $21.2 million, as well as increased costs for raw materials (wood-related) and higher compensation expense.

At the end of the third quarter, the Kitchen and Bath Cabinetry segment completed an evaluation of its information technology strategy. The evaluation considered opportunities arising from improving U.S. home market conditions. As a result of this evaluation, the segment abandoned certain software developed for internal use in order to redirect financial resources toward developing more flexible systems that provide industry leading content for consumers and more advanced tools for designers to deliver a superior purchasing experience for our customers. The abandonment of this internal use software resulted in a pre-tax impairment charge of $21.2 million, which was recorded in operating income and reduced property, plant and equipment, and will not materially impact current or future cash flow or future operating income.

### Plumbing & Accessories

Net sales increased $165.4 million, or 21%, due to higher sales volume in the U.S. driven primarily by higher new construction housing starts and improving repair and remodel market conditions, as well as approximately $33 million of higher international sales, primarily in China. Net sales also benefited from price increases that helped mitigate raw material cost increases.

Operating income increased $48.7 million, or 38%, due to higher sales volume. The impact of productivity improvements was offset by planned strategic investments to support long-term growth initiatives that included approximately $13 million of higher spending on advertising.

### Advanced Material Windows & Door Systems

Net sales increased $50.3 million, or 12%, due to higher sales volume driven primarily by improved conditions in the U.S. home products market. Net sales of door systems grew $34.7 million, or 14%. Net sales of window products increased $15.6 million, or 8%, due to improving conditions in the repair and remodel portion of the U.S. home products market.

Operating income increased $5.4 million to $9.8 million due to the benefit of higher sales, partially offset by the absence in 2013 of a 2012 $3.5 million gain on the disposition of property and $2.0 million of income attributable to a reduction of a contingent consideration liability related to an acquisition.

**Security & Storage**

Net sales decreased $2.6 million, or 1%. Net sales of security products increased $9.6 million, or 3%, due to new product introductions and higher U.S. retail and international sales. Net sales of storage products were down $12.2 million, or 10%, due to increased retailer-driven promotions in the first quarter of 2012 that did not recur in 2013.

Operating income increased $13.9 million, or 26%. Operating income increased approximately $11 million in aggregate due to lower employee benefit costs as a result of reductions in certain postretirement benefits in our storage product line, partially offset by an environmental charge and higher planned spending on security growth initiatives. Operating income was favorably impacted by higher net sales of security products. Operating income was unfavorably impacted by lower storage product sales volume.

**Corporate**

Corporate expenses increased $10.2 million primarily due to increased compensation-related costs, higher transaction expenses associated with the acquisition of WoodCrafters, and other administrative cost increases. Corporate expenses benefited from lower defined benefit costs ($5.0 million) primarily resulting from increased pension plan assets.

| | Nine Months Ended September 30, | |
|---|---|---|
| (In millions) | 2013 | 2012 |
| General and administrative expense | $ (58.2) | $ (44.9) |
| Defined benefit plan costs | 7.6 | 2.6 |
| Defined benefit plan recognition of actuarial losses | (5.6) | (3.7) |
| Total Corporate expenses | $ (56.2) | $ (46.0) |

In future periods, we may record in the Corporate segment material expense or income associated with actuarial gains and losses arising from periodic remeasurement of our liabilities for defined benefit plans. At a minimum, we remeasure our defined benefit plan liabilities in the fourth quarter of each year. Remeasurements due to plan amendments and settlements may also occur in interim periods during the year. Remeasurement of these liabilities results from changes to discount rates and expected return on assets and may result in material income or expense recognition.

**Three Months Ended September 30, 2013 Compared to Three Months Ended September 30, 2012**

| (In millions) | Net Sales 2013 | Net Sales 2012 | % Change vs. Prior Year |
|---|---|---|---|
| Kitchen & Bath Cabinetry | $ 448.6 | $329.7 | 36.1% |
| Plumbing & Accessories | 338.1 | 278.2 | 21.5 |
| Advanced Material Windows & Door Systems | 181.0 | 158.4 | 14.3 |
| Security & Storage | 157.4 | 142.8 | 10.2 |
| Net sales | $1,125.1 | $909.1 | 23.8% |

| | Operating Income 2013 | Operating Income 2012 | % Change vs. Prior Year |
|---|---|---|---|
| Kitchen & Bath Cabinetry | $ 14.1 | $ 1.5 | — % |
| Plumbing & Accessories | 65.9 | 48.5 | 35.9 |
| Advanced Material Windows & Door Systems | 8.5 | 9.2 | (7.6) |
| Security & Storage | 29.5 | 20.8 | 41.8 |
| Less: Corporate expenses | (19.4) | (19.4) | — |
| Operating income | $ 98.6 | $ 60.6 | 62.7% |

The following discussion of consolidated results of operations and segment results refers to the three months ended September 30, 2013 compared to the three months ended September 30, 2012. Consolidated results of operations should be read in conjunction with segment results of operations.

*Net sales*

Net sales increased $216.0 million, or 24%. The increase was due to higher sales volume, primarily from improved U.S. market conditions for home products, which experienced strengthening in both new construction and repair and remodel activity. Net sales increased approximately $60 million due to the acquisition of WoodCrafters. Net sales also benefited from price increases that helped mitigate raw material and transportation cost increases.

*Cost of products sold*

Cost of products sold increased $133.4 million, or 22%, due to higher sales volume and the impact of the WoodCrafters acquisition, partially offset by the benefit of productivity improvements and $4.0 million of amortization of prior service credits related to defined benefit plan amendments that reduced health benefits for certain current and retired employees. Cost of products sold also benefited from the absence in 2013 of $9.7 million in charges for the 2012 restructuring action to close our Martinsville, Virginia cabinet manufacturing facility.

*Selling, general and administrative expenses*

Selling, general and administrative expenses increased $23.4 million, or 10%, due to higher volume-related expenses and planned increases in strategic spending to support growth initiatives that included approximately $3 million of higher advertising spending. Administrative expenses also increased due to higher compensation-related costs.

*Amortization of intangible assets*

Amortization of intangible assets increased $1.6 million due to the acquisition of WoodCrafters.

## RESULTS OF OPERATIONS (Continued)

*Restructuring charges*

Restructuring charges of $1.5 million and $3.1 million in the three months ended September 30, 2013 and 2012, respectively, related to supply chain initiatives.

*Asset impairment charge*

At the end of the third quarter, our Kitchen and Bath Cabinetry segment completed an evaluation of its information technology strategy. The evaluation considered opportunities arising from improving U.S. home market conditions. As a result of this evaluation, the segment abandoned certain software developed for internal use in order to redirect financial resources toward developing more flexible systems that provide industry leading content for consumers and more advanced tools for designers to deliver a superior purchasing experience for our customers. The abandonment of this internal use software resulted in a pre-tax impairment charge of $21.2 million, which was recorded in operating income and reduced property, plant and equipment, and will not materially impact current or future cash flow or future operating income.

*Operating income*

Operating income increased $38.0 million, or 63%, primarily due to higher sales volume from our growth initiatives and improving U.S. home products market conditions, as well as the acquisition of WoodCrafters. In addition, the following items had a significant impact on operating income:

| (In millions) | 2013 | 2012 | Increase/(decrease) In operating income |
|---|---|---|---|
| Asset impairment charge | $21.2 | $— | $ (21.2) |
| Restructuring and other charges | 1.6 | 8.6 | 7.0 |

*Interest expense*

Interest expense increased $0.1 million primarily due to the write-off of unamortized deferred loan costs.

*Other expense (income), net*

Other expense (income), net, was income of $0.5 million in the three months ended September 30, 2013, compared to $0.8 million in the three months ended September 30, 2012.

*Income taxes*

The effective income tax rates for the three months ended September 30, 2013 and 2012 were 33.4% and 32.3%, respectively. The effective income tax rate in 2012 was favorably impacted by a decrease in the valuation allowance related to certain restructuring actions.

*Noncontrolling interests*

Noncontrolling interest was $0.4 million and $0.2 million in the three months ended September 30, 2013 and 2012, respectively.

*Net income attributable to Home & Security*

Net income attributable to Home & Security was $64.2 million in the three months ended September 30, 2013 compared to $40.0 million in the three months ended September 30, 2012. The increase of $24.2 million was primarily due to higher operating income, partially offset by the impact of the higher effective income tax rate.

## RESULTS OF OPERATIONS (Continued)

### Results By Segment

### Kitchen & Bath Cabinetry

Net sales increased $118.9 million, or 36%, due to higher sales volume, primarily due to improved U.S. market conditions, particularly for repair and remodel activity. Net sales also benefited from the acquisition of WoodCrafters (approximately $60 million) and price increases that helped mitigate raw material and transportation cost increases.

Operating income increased $12.6 million to $14.1 million due to higher sales volume. Operating income also benefited from price increases and productivity improvements, as well as the acquisition of WoodCrafters. Restructuring and other charges decreased by $10.1 million predominantly due to the absence in 2013 of the 2012 restructuring action to close our Martinsville, Virginia cabinet manufacturing facility. Operating income was unfavorably impacted by an asset impairment charge of $21.2 million, as well as higher compensation expense and increased costs for raw materials (wood-related).

### Plumbing & Accessories

Net sales increased $59.9 million, or 22%, due to higher sales volume in the U.S. driven primarily by higher new construction housing starts and improving repair and remodel market conditions, as well as approximately $13 million of higher international sales, primarily in China.

Operating income increased $17.4 million, or 36%, due to higher sales volume. Operating income also benefited from the impact of productivity improvements.

### Advanced Material Windows & Door Systems

Net sales increased $22.6 million, or 14%, due to higher sales volume driven primarily by improved conditions in the U.S. home products market. Net sales of door systems grew $12.2 million, or 14%, while net sales of window products increased $10.4 million, or 15%, due to improving conditions in the repair and remodel portion of the U.S. home products market.

Operating income decreased $0.7 million, or 8%, due to absence in 2013 of a $3.5 million gain in 2012 on the disposition of property. Operating income benefited from higher sales.

## RESULTS OF OPERATIONS (Continued)

### Security & Storage

Net sales increased $14.6 million, or 10%. Net sales of security products increased $7.5 million, or 7%, due to new product introductions and higher U.S. retail and global safety sales volume. Net sales of storage products increased $7.1 million, or 21%, due to new product introductions and the timing of retail shipments to support promotional holiday volume.

Operating income increased $8.7 million, or 42%. More than half of the operating income growth was attributable to higher sales with the remainder due to lower employee benefit costs as a result of reductions in certain postretirement benefits in our storage product line.

### Corporate

Corporate expenses were flat. Lower actuarial losses recognized in the quarter primarily related to the true-up of defined benefit plan demographic data ($3.5 million) and lower defined benefit costs ($2.2 million) resulting from gains in our pension plan assets, were offset by higher compensation-related costs and other administrative costs.

| (In millions) | Three Months Ended September 30, 2013 | Three Months Ended September 30, 2012 |
|---|---|---|
| General and administrative expense | $ (21.9) | $ (16.2) |
| Defined benefit plan costs | 2.7 | 0.5 |
| Defined benefit plan recognition of actuarial losses | (0.2) | (3.7) |
| Total Corporate expenses | $ (19.4) | $ (19.4) |

In future periods, we may record in the Corporate segment material expense or income associated with actuarial gains and losses arising from periodic remeasurement of our liabilities for defined benefit plans. At a minimum, we remeasure our defined benefit plan liabilities in the fourth quarter of each year. Remeasurements due to plan amendments and settlements may also occur in interim periods during the year. Remeasurement of these liabilities results from changes to discount rates and expected return on assets and may result in material income or expense recognition.

## LIQUIDITY AND CAPITAL RESOURCES

Our primary liquidity needs are to support working capital requirements, fund capital expenditures, service indebtedness and pay dividends to stockholders, as well as to repurchase shares of our common stock and finance acquisitions, as deemed appropriate. Our principal sources of liquidity have been cash on hand, cash flows from operating activities, and availability under our credit agreements. Our operating income is generated by our subsidiaries. There are no restrictions on the ability of our subsidiaries to pay dividends or make other distributions to Home & Security.

In June 2013, our Kitchen & Bath Cabinetry business acquired WoodCrafters, a manufacturer of bathroom vanities and tops, for a purchase price of approximately $302 million, subject to certain post-closing adjustments. The Company paid the purchase price using a combination of cash on hand and borrowings under our existing credit facilities.

On July 25, 2012, our Board of Directors approved a share repurchase program that authorizes the Company to repurchase up to $150,000,000 of shares of our outstanding common stock over the three years ending July 25, 2015. In the first nine months of 2013, we repurchased 1,201,118 shares of our outstanding common stock under the share repurchase program for $42.7 million. As of September 30, 2013, the Company's total remaining share repurchase authorization was $98,131,405. The share repurchase program does not obligate the Company to repurchase any specific dollar amount or number of shares and may be suspended or discontinued at any time.

We periodically review our portfolio of brands and evaluate potential strategic transactions to increase shareholder value. However, we cannot predict whether or when we may enter into acquisitions, joint ventures or dispositions, make any purchases of shares of our common stock under our share repurchase program, or pay dividends, or what impact any such transactions could have on our results of operations, cash flows or financial condition, whether as a result of the issuance of debt or equity securities, or otherwise. Our cash flows from operations, borrowing availability and overall liquidity are subject to certain risks and uncertainties, including those described in the section of our Annual Report on Form 10-K for the year-ended December 31, 2012 entitled "Item 1A. Risk Factors."

On September 30, 2013, we had cash and cash equivalents of $157.0 million, of which $110.5 million was held at non-U.S. subsidiaries. We manage our global cash requirements considering (i) available funds among the subsidiaries through which we conduct business, (ii) the geographic location of our liquidity needs, and (iii) the cost to access international cash balances. The repatriation of non-U.S. cash balances from certain subsidiaries could have adverse tax consequences as we may be required to pay and record income tax expense on those funds to the extent they were previously considered indefinitely reinvested.

We have a $650 million committed revolving credit facility, as well as a $350 million term loan. In July 2013, these facilities were renewed under essentially the same terms and conditions, extending the maturity date from October 2016 to July 2018. The outstanding borrowings under the term loan were $ 350.0 million and $320.0 million as of September 30, 2013 and December 31, 2012, respectively. There were no outstanding balances under the revolving credit facility as of September 30, 2013 and December 31, 2012. The interest rates under these facilities are variable based on LIBOR at the time of the borrowing and the Company's leverage as measured by a debt to Adjusted EBITDA ratio (as defined in the agreements governing the facilities). Based upon the Company's debt to Adjusted EBITDA ratio, the Company's borrowing rate could range from LIBOR + 1.0% to LIBOR + 2.0%. At September 30, 2013, we were in compliance with all covenants under these facilities.

## Cash Flows

Below is a summary of cash flows for the nine months ended September 30, 2013 and 2012.

| (In millions) | Nine Months Ended September 30, 2013 | 2012 |
|---|---|---|
| Net cash provided by operating activities | $ 166.2 | $119.4 |
| Net cash used in investing activities | (355.3) | (38.4) |
| Net cash provided by financing activities | 9.8 | 11.2 |
| Effect of foreign exchange rate changes on cash | 0.3 | 3.1 |
| Net (decrease) increase in cash and cash equivalents | $(179.0) | $ 95.3 |

Net cash provided by operating activities was $166.2 million in the nine months ended September 30, 2013 compared to $119.4 million in the nine months ended September 30, 2012. The increase in cash provided of $46.8 million was primarily due to higher net income of $65.2 million, partially offset by an increase in working capital to support increased sales.

Net cash used in investing activities was $355.3 million in the nine months ended September 30, 2013 compared to $38.4 million in the nine months ended September 30, 2012. The increase in cash used of $316.9 million was primarily due to the acquisition of WoodCrafters.

Net cash provided by financing activities decreased $1.4 million to $9.8 million in the nine months ended September 30, 2013 due to less cash received from 2013 stock option exercises ($39.3 million), dividends paid ($33.2 million) and higher stock repurchases in 2013 compared to 2012 ($40.9 million). The decreases were partially offset by the favorable impact of net borrowings of $96.9 million ($30.9 million in net borrowings in 2013 compared to net debt repayments of $66.0 million in 2012), as well as the tax benefit of stock option exercises ($10.6 million).

## Customer Credit Risk

We routinely grant unsecured credit to customers in the normal course of business. Accounts receivable were $517.7 million and $381.7 million as of September 30, 2013 and December 31, 2012, respectively, and are recorded at their stated amount less allowances for discounts, doubtful accounts and returns. Allowances for doubtful accounts include provisions for certain customers where a risk of default has been specifically identified, as well as provisions determined on a general formula basis when it is determined that the risk of some default is probable and estimable but cannot yet be associated with specific customers. The assessment of the likelihood of customer defaults is based on a variety of factors, including the length of time the receivables are past due, the historical collection experience and existing economic conditions. In accordance with our policy, our allowance for doubtful accounts was $8.1 million and $9.0 million as of September 30, 2013 and December 31, 2012, respectively. The conditions in the global economy and credit markets may reduce our customers’ ability to access sufficient liquidity and capital to fund their operations and make our estimation of customer defaults inherently uncertain. While we believe current allowances for doubtful accounts are adequate, it is possible that the Company could experience higher levels of customer defaults and bad debt expense in future periods.

**Counterparty Risk**

The counterparties to our foreign currency and commodity derivative contracts are major financial institutions. Although our theoretical risk is the replacement cost at the then estimated fair value of these instruments, we believe that the risk of incurring losses is unlikely and that the losses, if any, would be immaterial to our results of operations, cash flows and financial condition. The fair value of our derivative assets at September 30, 2013 and December 31, 2012 was $1.9 million and $1.2 million, respectively. The estimated fair value of our derivative contracts represents the amount required to enter into offsetting contracts with similar remaining maturities based on quoted market prices.

**Pension Plans**

Subsidiaries of Home & Security sponsor their respective defined benefit pension plans that are funded by a portfolio of investments maintained within our benefit plan trust. As of December 31, 2012, the fair value of our total pension plan assets was $536.8 million, representing 76% of the accumulated benefit obligation liability. Due to higher interest rates and higher than expected returns on pension plan assets through September 30, 2013, we do not expect to make pension contributions in 2013. For the foreseeable future, we believe that we have sufficient liquidity to meet the minimum funding that may be required by the Pension Protection Act of 2006.

**Foreign Exchange**

We have investments in various foreign countries, principally Canada, Mexico, China and France. Therefore, changes in the value of the related currencies affect our financial statements when translated into U.S. dollars.

## RECENTLY ISSUED ACCOUNTING STANDARDS

*Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists*

In July 2013, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2013-11, "Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists." ASU 2013-11 provides explicit guidance on presentation in financial statements. The amendment is effective for reporting periods beginning after December 15, 2013 (calendar year 2014 for Home & Security). We believe that adoption of this standard will not have a material impact on our financial statements.

*Parent's Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity*

In March 2013, the FASB issued ASU 2013-05, "Parent's Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity." ASU 2013-05 clarifies the accounting for the release of the cumulative translation adjustment into net income when a parent either sells a part or all of its investment in a foreign entity or no longer holds a controlling financial interest in a subsidiary or group of assets that is a business within a foreign entity. The ASU also clarifies the treatment of business combinations achieved in stages involving a foreign entity. The amendment is effective prospectively for reporting periods beginning after December 15, 2013 (calendar year 2014 for Home & Security). We believe that adoption of this standard will not have a material impact on our financial statements.

## Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

There have been no material changes in the information provided in the section entitled "Quantitative and Qualitative Disclosures about Market Risk" in our Annual Report on Form 10-K for the year ended December 31, 2012.

## Item 4. CONTROLS AND PROCEDURES.

### (a) Evaluation of Disclosure Controls and Procedures.

The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that the Company's disclosure controls and procedures were effective as of the end of the period covered by this report.

### (b) Changes in Internal Control Over Financial Reporting.

There have not been any changes in the Company's internal control over financial reporting that occurred during the Company's fiscal quarter ended September 30, 2013 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. The Company is in the process of reviewing the internal control structure of acquired businesses and, if necessary, will make appropriate changes as we incorporate our controls and procedures into those recently acquired businesses.

## PART II. OTHER INFORMATION

### Item 1. LEGAL PROCEEDINGS.

**(a) Other Litigation.**

The Company is a defendant in lawsuits associated with the normal conduct of its businesses and operations. It is not possible to predict the outcome of the pending actions, and, as with any litigation, it is possible that these actions could be decided unfavorably to the Company. The Company believes that there are meritorious defenses to these actions and that these actions will not have a material adverse effect upon the Company's results of operations, cash flows or financial condition, and, where appropriate, these actions are being vigorously contested.

**(b) Environmental Matters.**

We are subject to laws and regulations relating to protection of the environment. It is not possible to quantify with certainty the potential impact of actions relating to environmental matters, particularly remediation and other compliance efforts that our subsidiaries may undertake in the future. In our opinion, however, compliance with current environmental protection laws (before taking into account estimated recoveries from third parties) will not have a material adverse effect upon our results of operations, cash flows or financial condition.

### Item 1A. RISK FACTORS.

There have been no material changes to the risk factors previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2012 in the section entitled "Risk Factors."

### Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

Below are the repurchases of common stock by the Company or any "affiliated purchaser" (as defined in Rule 10b-18(a)(3) under the Exchange Act) for the three months ended September 30, 2013:

| Three Months Ended September 30, 2013 | Total number of shares purchased (a)(b) | Average price paid per share | Total number of shares purchased as part of publicly announced plans or programs (a) | Maximum dollar amount that may yet be purchased under the plans or programs (a) |
|---|---|---|---|---|
| July 1 – July 31 | — | $ — | — | $127,731,585 |
| August 1 – August 31 | 459,800 | 36.94 | 459,800 | 110,746,149 |
| September 1 – September 30 | 342,292 | 36.90 | 341,818 | 98,131,405 |
| Total | 802,092 | $ 36.93 | 801,618 | |

(a) *The Company purchased 801,618 shares between August 1, 2013 and September 30, 2013 pursuant to the Company's share repurchase program approved by the Company's Board of Directors on July 25, 2012 and publicly announced through the filing of a Current Report on Form 8-K on July 26, 2012. The share repurchase program authorizes the Company to repurchase up to $150,000,000 of shares of our outstanding common stock from July 25, 2012 to July 25, 2015.*

(b) *The Company purchased 474 shares between September 1, 2013 and September 30, 2013 from the Company's employees in connection with the exercise of stock options issued under the Company's long-term incentive plans. The employees sold these shares to the Company in payment of the exercise price of the options exercised.*

## Item 6. EXHIBITS

| | |
|---|---|
| 3(i). | Restated Certificate of Incorporation of Fortune Brands Home & Security, Inc. (incorporated herein by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q filed with the SEC on November 5, 2012, Commission file number 1-35166). |
| 3(ii). | Amended and Restated By-laws of Fortune Brands Home & Security, Inc., as adopted September 27, 2011 (incorporated herein by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K filed with the SEC on September 30, 2011, Commission file number 1-35166). |
| 10.1* | Amendment no. 1 to Credit Agreement dated July 23, 2013, among Fortune Brands Home & Security, Inc., JPMorgan Chase Bank, N.A., as administrative agent and the lenders party thereto. |
| 31.1.* | Certificate of Chief Executive Officer Required Under Section 302 of the Sarbanes-Oxley Act of 2002. |
| 31.2.* | Certificate of Chief Financial Officer Required Under Section 302 of the Sarbanes-Oxley Act of 2002. |
| 32.* | Joint CEO/CFO Certificate Required Under Section 906 of the Sarbanes-Oxley Act of 2002. |
| 101.* | The following materials from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2013 formatted in eXtensible Business Reporting Language (XBRL): (i) the Condensed Consolidated Statements of Comprehensive Income, (ii) the Condensed Consolidated Balance Sheets, (iii) the Condensed Consolidated Statements of Cash Flows, (iv) the Condensed Consolidated Statements of Equity, and (v) the Notes to the Condensed Consolidated Financial Statements. |

* Filed herewith.

**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

FORTUNE BRANDS HOME & SECURITY, INC.
(Registrant)

Date: November 1, 2013

/s/ E. Lee Wyatt, Jr.

E. Lee Wyatt, Jr.
Senior Vice President and Chief Financial Officer
(Duly authorized officer and principal financial officer of the Registrant)

## EXHIBIT INDEX

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* Filed herewith.

**Exhibit 10.1**

EXECUTION VERSION

**AMENDMENT NO. 1 TO CREDIT AGREEMENT**

This Amendment No. 1 to Credit Agreement (this "Amendment") is entered into as of July 23, 2013 by and among Fortune Brands Home & Security, Inc. (f/k/a Fortune Brands Home & Security LLC), a Delaware corporation (the "Borrower"), JPMorgan Chase Bank, N. A., individually and as administrative agent (the "Administrative Agent"), and the other financial institutions signatory hereto (the "Consenting Lenders"). Unless otherwise specified herein, capitalized terms used in this Amendment shall have the meanings ascribed to them in the Credit Agreement (as defined below), and Section 1.03 of the Credit Agreement shall apply to this Amendment.

RECITALS

A. The Borrower, the Administrative Agent and the Lenders are party to that certain Credit Agreement dated as of August 22, 2011 (the "Credit Agreement").

B. The Borrower, the Administrative Agent and the Consenting Lenders wish to amend the Credit Agreement on the terms and conditions set forth below.

C. The Borrower has requested, and certain of the Consenting Lenders are willing to make, additional Term Loans on the terms and conditions set forth herein.

Now, therefore, in consideration of the mutual execution hereof and other good and valuable consideration, the parties hereto agree as follows:

1. Amendment to Credit Agreement. Upon the Effective Date (as defined in Section 4 below), the Credit Agreement shall be amended as follows:

(a) The definition of "Credit Documents" contained in Section 1.01 of the Credit Agreement shall be amended and restated in its entirety to read as follows:

"Credit Documents" means this Agreement, the Affirmation, after the execution and delivery thereof pursuant to the terms of this Agreement, each promissory note, if any, delivered pursuant to Section 2.10(e), each Subsidiary Guaranty, any amendments to the Credit Documents and any other documents from time to time designated as such by the Borrower and the Administrative Agent.

(b) The definition of "Disclosed Matters" contained in Section 1.01 of the Credit Agreement shall be amended and restated in its entirety to read as follows:

"Disclosed Matters" means the actions, suits and proceedings and the environmental matters disclosed in Schedule 3.06 and the matters described in any filings made by the Borrower prior to the Amendment No. 1 Date with the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended.

(c) The definition of “FATCA” contained in Section 1.01 of the Credit Agreement shall be amended and restated in its entirety to read as follows:

“FATCA” means Sections 1471 through 1474 of the Code, as of the date of this Agreement (or any amended or successor version that is substantively comparable and not materially more onerous to comply with), any current or future regulation or official interpretations thereof and any agreements entered into pursuant to Section 1471(b)(1) of the Code.

(d) The definition of “Indemnified Taxes” contained in Section 1.01 of the Credit Agreement shall be amended and restated in its entirety to read as follows:

“Indemnified Taxes” means (a) Taxes other than Excluded Taxes, imposed on or with respect to any payment made by or on behalf of any Credit Party under any Credit Document and (b) to the extent not otherwise described in (a), Other Taxes.

(e) The definition of “Revolving Commitment” contained in Section 1.01 of the Credit Agreement shall be amended and restated in its entirety to read as follows:

“Revolving Commitment” means, with respect to each Revolving Lender, the commitment of such Revolving Lender to make Revolving Loans and to acquire participations in Letters of Credit and Swingline Loans hereunder, expressed as an amount representing the maximum aggregate amount of such Revolving Lender’s Revolving Credit Exposure hereunder, as such commitment may be (a) reduced or increased from time to time pursuant to Section 2.09, (b) reduced or increased from time to time pursuant to assignments by or to such Revolving Lender pursuant to Section 9.04 and (c) reduced or increased pursuant to Amendment No. 1. The amount of each Revolving Lender’s Revolving Commitment as of the Amendment No. 1 Date after giving effect to Amendment No. 1 is set forth on Schedule 2.01.

(f) The definition of “Revolving Maturity Date” contained in Section 1.01 of the Credit Agreement shall be amended and restated in its entirety to read as follows:

“Revolving Maturity Date” means the fifth anniversary of the Amendment No. 1 Date.

(g) The definition of “Term Commitment” contained in Section 1.01 of the Credit Agreement shall be amended and restated in its entirety to read as follows:

“Term Commitment” means, with respect to each Term Lender, the commitment of such Term Lender to make a Term Loan in an amount not to exceed the amount set forth under the heading “Term Commitment” opposite such Term Lender’s name on Schedule 2.01, as such commitment may be (a) reduced or increased from time to time pursuant to Section 2.09, (b) reduced or increased from time to time pursuant to assignments by or to such Term Lender pursuant to Section 9.04 and (c) reduced or increased pursuant to Amendment No. 1. The amount of each Term Lender's Term Commitment as of the Amendment No. 1 Date is set forth on Schedule 2.01.

(h) The definition of "Term Loan" contained in Section 1.01 of the Credit Agreement shall be amended and restated in its entirety to read as follows:

"Term Loan" means a Loan made pursuant to Section 2.01(b) , 2.09(d) or Section 2(a) of Amendment No. 1.

(i) The definition of "Term Maturity Date" contained in Section 1.01 of the Credit Agreement shall be amended and restated in its entirety to read as follows:

"Term Maturity Date" means the fifth anniversary of the Amendment No. 1 Date.

(j) Section 1.01 of the Credit Agreement shall be amended by adding the following new definitions in the appropriate alphabetical order:

"Amendment No. 1" means that certain Amendment No. 1 to Credit Agreement dated as of July 23, 2013 by and among the Borrower, the Administrative Agent and the Lenders signatory thereto.

"Amendment No. 1 Date" means July 23, 2013, the "Effective Date" as defined in Amendment No. 1.

"Connection Income Taxes" means Other Connection Taxes that are imposed on or measured by net income (however denominated) or that are franchise Taxes or branch profits Taxes.

"Withholding Agent" means any Credit Party and the Administrative Agent.

(k) Section 1.04 of the Credit Agreement shall be amended by amending and restating the last sentence of such Section as follows:

Notwithstanding any other provision contained herein, for purposes of determining compliance with any covenant (including the computation of any financial covenant) contained herein, (a) all computations of amounts and ratios referred to in this Agreement shall be made without giving effect to any election under FASB ASC Topic 825 "Financial Instruments" (or any other financial accounting standard having a similar result or effect) to value any Indebtedness or other liabilities of the Borrower or any Subsidiary at "fair value" as defined therein; and (b) the Borrower and its Subsidiaries may, at the Borrower's option, continue to account for any lease of the Borrower or any Subsidiary that as of the Amendment No. 1 Date is (or if such lease were in effect on the

Amendment No. 1 Date, would be) an operating lease, as an operating lease, irrespective of any change in lease accounting standards under GAAP occurring after the Amendment No. 1 Date, including for purposes of determining Indebtedness, Consolidated Net Income and Consolidated Interest Expense or any component thereof. For the avoidance of doubt, to the extent any change in lease accounting standards under GAAP is adopted after the Amendment No. 1 Date, the Borrower shall have no obligation to provide to the Administrative Agent and the Lenders a reconciliation between the reporting on its financial statements and its calculations made for purposes of determining compliance with any covenant (including financial covenants) contained herein.

(l) The eighth sentence of Section 2.09(d) of the Credit Agreement shall be amended by deleting the phrase “made on the Funding Date.”

(m) The Term Loan amortization schedule set forth in Section 2.10(a) of the Credit Agreement shall be deleted and replaced with the following:

| Payment Date | Amount |
|---|---|
| First Anniversary of the Amendment No. 1 Date | 0% of Term Loan principal amount as of the Amendment No. 1. Date |
| Second Anniversary of the Amendment No. 1 Date | 5% of Term Loan principal amount as of the Amendment No. 1. Date |
| Third Anniversary of the Amendment No. 1 Date | 10% of Term Loan principal amount as of the Amendment No. 1. Date |
| Fourth Anniversary of the Amendment No. 1 Date | 10% of Term Loan principal amount as of the Amendment No. 1. Date |
| Term Maturity Date | Aggregate unpaid principal amount of Term Loans |

(n) Section 2.10(e) of the Credit Agreement shall be amended by deleting each reference to “the order of” set forth in such Section.

(o) Section 2.15(a)(iii) of the Credit Agreement shall be amended and restated in its entirety to read as follows:

(iii) subject any Recipient to any Taxes on its loans, loan principal, letters of credit, commitments, or other obligations, or its deposits, reserves, other liabilities or capital attributable thereto (other than (A) Indemnified Taxes, (B) Taxes described in clauses (b) and (c) of the definition of Excluded Taxes and (C) Connection Income Taxes);

(p) Section 2.15(a) of the Credit Agreement shall be further amended by deleting all language after clause (iii) thereof and replacing it with the following:

and (A) the result of any of the foregoing shall be to increase the cost to such Lender or such other Recipient of making or maintaining any Loan (or of maintaining its obligation to make any such Loan) or to increase the cost to such Lender, Issuing Bank or such other Recipient of participating in, issuing or maintaining any Letter of Credit or to reduce the amount of any sum received or receivable by such Lender, Issuing Bank or such other Recipient hereunder (whether of principal, interest or otherwise) and (B) such Lender or such other Recipient, as the case may be, is generally demanding similar compensation from its other similar borrowers in similar circumstances, then the Borrower will pay to such Lender, Issuing Bank or such other Recipient, as the case may be, such additional amount or amounts as will compensate such Lender, Issuing Bank or such other Recipient, as the case may be, for such additional costs incurred or reduction suffered.

(q) Section 2.15(c) of the Credit Agreement shall be amended by deleting the last sentence in such Section in its entirety.

(r) Each of Section 2.17(a), (d), (e), (f)(i), (g) and (i) of the Credit Agreement shall be amended and restated in its entirety to read as follows:

(a) Withholding of Taxes; Gross-Up. Each payment by or on behalf of any Credit Party under any Credit Document shall be made without withholding for any Taxes, unless such withholding is required by any law. If any Withholding Agent determines, in its sole discretion exercised in good faith, that it is so required to withhold Taxes, then such Withholding Agent may so withhold and shall timely pay the full amount of withheld Taxes to the relevant Governmental Authority in accordance with applicable law. If such Taxes are Indemnified Taxes, then the amount payable by such Credit Party shall be increased as necessary so that, net of such withholding (including such withholding applicable to additional amounts payable under this Section), the applicable Recipient receives the amount it would have received had no such withholding been made.

(d) Indemnification by the Borrower. The Borrower shall indemnify each Recipient for any Indemnified Taxes that are paid or payable by (or required to be deducted or withheld from any payment to) such Recipient in connection with any Credit Document (including amounts paid or payable under this Section 2.17(d)) and any reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. The indemnity under this Section 2.17(d) shall be paid within 10 days after the Recipient delivers to the Borrower a certificate stating the amount of any Indemnified Taxes so paid or payable by such Recipient and describing the basis for the indemnification claim. Such certificate shall be conclusive of the amount so paid or payable absent manifest error. Such Recipient shall deliver a copy of such certificate to the Administrative Agent.

(e) Indemnification by the Lenders. Each Lender shall severally indemnify the Administrative Agent for any Taxes (but, in the case of any Indemnified Taxes, only to the extent that any Credit Party has not already indemnified the Administrative Agent for such Indemnified Taxes and without limiting the obligation of the Credit Parties to do so) attributable to such Lender (or resulting from such Lender's failure to maintain a Participation Register) that are paid or payable by the Administrative Agent in connection with any Credit Document and any reasonable expenses arising therefrom or with respect thereto, whether or not such Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. The indemnity under this Section 2.17(e) shall be paid within 10 days after the Administrative Agent delivers to the applicable Lender a certificate stating the amount of Taxes so paid or payable by the Administrative Agent. Such certificate shall be conclusive of the amount so paid or payable absent manifest error.

(f) Status of Lenders. (i) Any Lender that is entitled to an exemption from, or reduction of, any applicable withholding Tax with respect to any payments under any Credit Document shall deliver to the Borrower and the Administrative Agent, at the time or times reasonably requested by the Borrower or the Administrative Agent, such properly completed and executed documentation reasonably requested by the Borrower or the Administrative Agent as will permit such payments to be made without, or at a reduced rate of, withholding. In addition, any Lender, if requested by the Borrower or the Administrative Agent, shall deliver such other documentation prescribed by law or reasonably requested by the Borrower or the Administrative Agent as will enable the Borrower or the Administrative Agent to determine whether or not such Lender is subject to any withholding (including backup withholding) or information reporting requirements. Notwithstanding anything to the contrary in the preceding two sentences, the completion, execution and submission of such documentation (other than such documentation set forth in Section 2.17(f)(ii)(A) through (E) and (iii) below) shall not be required if in the Lender's judgment such completion, execution or submission would subject such Lender to any material unreimbursed cost or expense or would materially prejudice the legal or commercial position of such Lender. Upon the reasonable request of the Borrower or the Administrative Agent, any Lender shall update any form or certification previously delivered pursuant to this Section 2.17(f) or notify the Borrower and the Administrative Agent of its legal inability to do so. If any form or certification previously delivered pursuant to this Section expires or becomes obsolete or inaccurate in any respect with respect to a Lender, such Lender shall promptly (and in any event within 10 days after such expiration, obsolescence or inaccuracy) notify the Borrower and the Administrative Agent in writing of such expiration, obsolescence or inaccuracy and update the form or certification if it is legally eligible to do so.

(g) Treatment of Certain Refunds. If any party determines, in its sole discretion exercised in good faith, that it has received a refund (or credit in lieu of a refund) of any Taxes as to which it has been indemnified pursuant to this Section 2.17 (including additional amounts paid pursuant to this Section 2.17), it shall pay to the indemnifying party an amount equal to such refund (or credit in lieu of a refund) (but only to the extent of indemnity payments made under this Section with respect to the Taxes giving rise to such refund (or credit in lieu of a refund)), net of all out-of-pocket expenses (including any Taxes) of such indemnified party and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund (or credit in lieu of a refund)). Such indemnifying party, upon the request of such indemnified party, shall repay to such indemnified party the amount paid to such indemnified party pursuant to the previous sentence (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) in the event such indemnified party is required to repay such refund (or credit in lieu of a refund) to such Governmental Authority. Notwithstanding anything to the contrary in this Section 2.17(g), in no event will any indemnified party be required to pay any amount to any indemnifying party pursuant to this Section 2.17(g) if such payment would place such indemnified party in a less favorable position (on a net after-Tax basis) than the indemnified party would have been in if the Tax subject to indemnification had not been deducted, withheld or otherwise imposed and the indemnification payments or additional amounts giving rise to such refund (or credit in lieu of a refund) had never been paid. This Section 2.17(g) shall not be construed to require any indemnified party to make available its Tax returns (or any other information relating to its Taxes which it deems confidential) to the indemnifying party or any other Person.

(i) Issuing Bank. For purposes of Section 2.17, the term "Lender" includes any Issuing Bank.

(s) Section 3.04(b) of the Credit Agreement shall be amended by replacing the reference to "December 31, 2010" therein with a reference to "December 31, 2012".

(t) Section 5.01 of the Credit Agreement shall be amended by adding the following sentence to the end thereof:

In lieu of delivering to the Lenders copies of the items referred to in paragraphs (a) and (b) above, the Borrower may make available such items on its website at www.fbhs.com, at www.sec.gov or at such other website as notified to the Administrative Agent and the Lenders, which shall be deemed to have satisfied the requirement of delivery of such items in accordance with this Section.

(u) Section 5.10(b) of the Credit Agreement shall be amended and restated in its entirety as follows:

Notwithstanding the foregoing, if at any time a Subsidiary Guarantor is no longer the guarantor of Indebtedness of the Borrower aggregating in excess of $10,000,000, then the applicable Subsidiary Guaranty shall cease to be in effect unless at such time an Event of Default has occurred and is continuing; provided, that the requirements of Section 5.10(a) shall remain applicable to such Domestic Subsidiary with respect to subsequent Guarantees of Indebtedness of the Borrower.

(v) Section 9.04(b)(iv) of the Credit Agreement shall be amended and restated in its entirety to read as follows:

(iv) The Administrative Agent, acting for this purpose as an agent of the Borrower, shall maintain at one of its offices a copy of each Assignment and Assumption delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitments of, and principal amount of (and stated interest on) the Loans and LC Disbursements owing to, each Lender pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be conclusive, and the Borrower, the Administrative Agent, the Issuing Banks and the Lenders shall treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by the Borrower, any Issuing Bank and any Lender, at any reasonable time and from time to time upon reasonable prior notice.

(w) Schedule 2.01 of the Credit Agreement shall be deleted and replaced with the form of Schedule 2.01 attached hereto as Exhibit A.

(x) Exhibit B-1 of the Credit Agreement shall be deleted and replaced with the form of Exhibit B-1 attached hereto as Exhibit B.

(y) Exhibit B-2 of the Credit Agreement shall be deleted and replaced with the form of Exhibit B-2 attached hereto as Exhibit C.

2. Commitments; Termination; Term Loans; Breakage.

(a) Subject to the terms and conditions set forth herein, each Consenting Lender, severally, agrees to make a Term Loan to the Borrower on the Effective Date in a principal amount equal to the amount, if any, by which (i) the Term Loan Commitment of such Consenting Lender, as set forth in Exhibit A of this Amendment, *exceeds* (ii) the aggregate outstanding principal amount of Term Loans held by such Consenting Lender immediately prior to making the new Term Loan contemplated by this Section 2(a).

(b) (i) Each Term Loan under Section 2(a) of this Amendment shall be made as part of a Borrowing consisting of Term Loans made by the Consenting Lenders ratably in accordance with their respective Term Commitments hereunder. The failure of any Consenting Lender to make any Term Loan required to be made by it pursuant to such Section 2(a) shall not relieve any other Consenting Lender of its obligations hereunder; provided, that the Term Commitments of the Consenting Lenders are several and no Consenting Lender shall be responsible for any other Consenting Lender's failure to make a Term Loan as required hereunder.

(ii) Each Term Loan made pursuant to Section 2(a) of this Amendment shall constitute a Term Loan for purposes of the Credit Agreement, from and after the Effective Date and rank *pari passu* in all respects with all other Term Loans, whether made on the Effective Date or the date of the initial Borrowing under the Credit Agreement.

(iii) Each Term Loan made pursuant to Section 2(a) of this Amendment is not being made pursuant to Section 2.09 of the Credit Agreement and shall not affect in any way the Borrower's rights under Section 2.09 of the Credit Agreement to request additional Loans thereunder, in accordance with the terms thereof.

(iv) Sections 2.03 and 2.07 of the Credit Agreement shall apply to and govern the Term Loans made under Section 2(a) of this Amendment on the Effective Date, except that any proceeds of such Term Loans required to pay amounts due to any Consenting Lenders in accordance with Section 2(c) of this Amendment and any Exiting Lenders in accordance with Section 2(d) of this Amendment shall be applied as provided in such Sections before any amounts are credited to the Borrower as provided in Section 2.07 of the Credit Agreement.

(v) No amount of any Term Loan made under Section 2(a) of this Amendment which is repaid or prepaid by the Borrower may be reborrowed.

(c) If the Term Commitment or Revolving Commitment of any Consenting Lender as set forth in Exhibit A is less than the amount of its outstanding Term Loans or Revolving Loans, as applicable, as of the Effective Date, any such Consenting Lender shall be paid the amount required such that after giving effect to such payment, such Consenting Lender's Term Commitment and/or Revolving Commitment, as applicable, as of the Effective Date is equal to the amount of its outstanding Term Loans and/or Revolving Loans, as applicable, as set forth in Exhibit A. The Consenting Lenders and the Administrative Agent hereby consent to the non-pro rata prepayments contemplated by this Section 2(c) and waive any notice of Commitment reduction or prepayment that may otherwise be required by Sections 2.09(c) and 2.11(b) of the Credit Agreement. The Borrower and each Consenting Lender hereby authorize the Administrative Agent to apply any proceeds of Term Loans made pursuant to Section 2(a) of this Amendment, upon receipt thereof by the Administrative Agent, to pay to any such Consenting Lender the amounts required to be paid pursuant to this Section 2(c) on the Effective Date.

(d) Any Lender that is not a Consenting Lender (each, an "Exiting Lender") shall, effective upon the Effective Date, no longer be a Lender under the Credit Agreement and (i) its Commitment shall be deemed voluntarily terminated by the Borrower upon the Effective Date pursuant to Section 2.09(b) of the Credit Agreement and (ii) the principal of and interest accrued on each Loan made by it shall be paid in full together with all other amounts owing to it or accrued for its account under the Credit Agreement. The Consenting Lenders and the Administrative Agent hereby consent to the non-pro rata Commitment terminations and prepayments contemplated by this Section 2(d) and waive any notice of Commitment termination or prepayment that may otherwise be required by Sections 2.09(c) and 2.11(b) of the Credit Agreement. The Borrower and each Consenting Lender hereby authorize the Administrative Agent to apply any proceeds of Term Loans made pursuant to Section 2(a) of this Amendment, upon receipt thereof by the Administrative Agent, to pay to any Exiting Lender the amounts required to be paid pursuant to this Section 2(d) on the Effective Date. To the extent that such proceeds are insufficient to repay all such amounts, the Borrower shall pay, or remit to the Administrative Agent for payment, the amount of any such insufficiency.

(e) On the Effective Date, the Risk Participation (as defined below) of each Exiting Lender shall be transferred and assumed by the Consenting Lenders on a pro rata basis in accordance with their respective Revolving Commitments under the Credit Agreement after giving effect to this Amendment such that all such Revolving Credit Exposure will be held ratably by the Consenting Lenders on a pro rata basis in accordance with their respective Revolving Commitments under the Credit Agreement after giving effect to this Amendment. "Risk Participation" means, at any date, the aggregate amount of funded and unfunded obligations of any Lender to purchase participations from or make payments for the account of the Swingline Lender pursuant to Section 2.05(c) of the Credit Agreement and any Issuing Bank pursuant to Section 2.06(d) of the Credit Agreement.

(f) The Term Commitments corresponding to the Term Loans to be made pursuant Section 2(a) of this Amendment on the Effective Date (i) shall terminate upon the making of such Term Loans on the Effective Date, and (ii) shall not be considered a Term Commitment for purposes of Section 2.12(a) of the Credit Agreement.

(g) Each Consenting Lender hereby waives any entitlement under Section 2.16 of the Credit Agreement to any and all amounts which would otherwise have been payable thereunder in respect of the consummation on the Effective Date of the transactions contemplated hereby.

3. Representations and Warranties of the Borrower. The Borrower represents and warrants that as of the Effective Date:

(a) The execution, delivery and performance by the Borrower of this Amendment have been duly authorized by all necessary corporate action (and, if required, stockholder action) and this Amendment is a legal, valid and binding obligation of the Borrower enforceable against the Borrower in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally and subject to general principles of equity, regardless of whether considered in a proceeding in equity or at law;

(b) Each of the representations and warranties contained in the Credit Agreement (after giving effect to this Amendment and treating this Amendment as a Credit Document for purposes thereof) is true and correct in all material respects (but in all respects if such representation or warranty is qualified by "material" or "Material Adverse Effect") on and as of the Effective Date as if made on such date, or to the extent such representations and warranties expressly relate to an earlier date, on and as of such earlier date; and

(c) No Default has occurred and is continuing.

4. Effective Date. This Amendment shall become effective on the date and at the time (the "Effective Date") upon which all of the following conditions have been satisfied:

(a) the execution and delivery of this Amendment by the Borrower, the Administrative Agent and the Consenting Lenders (which must include the Required Lenders);

(b) the Administrative Agent (or its counsel) shall have received copies of (i) a certificate of the Secretary or Assistant Secretary of the Borrower, dated the Effective Date, (A) certifying resolutions of the Borrower's board of directors and (B) attaching the Borrower's certificate of incorporation and bylaws and certifying that the foregoing are in full force and effect as of the Amendment No. 1 Date, and (ii) a certificate of good standing of the Borrower, as of a recent date, from the Secretary of State of Delaware;

(c) the Administrative Agent (or its counsel) shall have received a certificate of a Financial Officer of the Borrower dated the Effective Date, certifying that (i) the representations and warranties of the Borrower set forth in the Credit Agreement (after giving effect to this Amendment and treating this Amendment as a Credit Document for purposes thereof) are true and correct in all material respects (but in all respects if such representation or warranty is qualified by "material" or "Material Adverse Effect") on and as of the Effective Date, or to the extent such representations and warranties expressly relate to an earlier date, on and as of such earlier date and (ii) no Default has occurred or is continuing;

(d) as requested by the Administrative Agent, the Administrative Agent shall have received a satisfactory opinion of counsel to the Borrower, which opinion may be from an in-house counsel;

(e) the Administrative Agent shall have received evidence satisfactory to it that substantially concurrently with the effectiveness of this Amendment the Borrower is paying, (i) all amounts payable to Exiting Lenders pursuant to Section 2(d) hereof, (ii) all amounts payable to any Consenting Lenders pursuant to Section 2(c) hereof and (iii) without duplication, all accrued interest and fees owing pursuant to the Credit Agreement, it being understood that any such payments may be made out of the proceeds of loans made on the Effective Date as contemplated by Section 2(c) and Section 2(d) hereof;

(f) the Consenting Lenders, the Administrative Agent and the Lead Arrangers shall have received all fees required to be paid, and all expenses for which invoices have been presented at least one (1) Business Day before the Effective Date, on or before the Effective Date;

(g) if requested at least 10 days prior to the Effective Date, the Administrative Agent and the Lenders shall have received, at least 5 days prior to the Effective Date, all documentation and other information reasonably requested by them and required by regulatory authorities under applicable “know your customer” and anti-money laundering rules and regulations, including the PATRIOT Act;

(h) each Lender shall have received from the Borrower any promissory notes requested (to the extent requested at least 1 day prior to the Effective Date) pursuant to, and in accordance with, Section 2.10(e) of the Credit Agreement; and

(i) the Administrative Agent (or its counsel) shall have received, in form and substance satisfactory to it, such additional certificates, documents and other information as the Administrative Agent shall reasonably require.

In the event the Effective Date has not occurred on or before August 15, 2013, this Amendment shall not become operative and shall be of no force or effect.

5. Reference to and Effect Upon the Credit Agreement; Other.

(a) Except as specifically amended above, the Credit Agreement and the other Credit Documents shall remain in full force and effect and are hereby ratified and confirmed, as amended.

(b) The execution, delivery and effectiveness of this Amendment shall not operate as a waiver of any right, power or remedy of the Administrative Agent or any Lender under the Credit Agreement or any Credit Document, nor constitute a waiver of any provision of the Credit Agreement or any Credit Document, except as specifically set forth herein. Upon the effectiveness of this Amendment, each reference in the Credit Agreement to “this Agreement”, “hereunder”, “hereof”, “herein” or words of similar import shall mean and be a reference to the Credit Agreement as amended hereby.

(c) The parties hereto acknowledge and agree that (i) except as otherwise expressly provided herein with respect to any prepayment of Loans pursuant to Sections 2(c) and 2(d) of this Amendment, this Amendment does not constitute a novation, payment and reborrowing or termination of the Obligations under the Credit Agreement and the other Credit Documents as in effect prior to the Effective Date, and (ii) such Obligations are in all respects continuing with only the terms being modified as provided in this Amendment.

6. Costs and Expenses. The Borrower hereby affirms its obligation under Section 9.03 of the Credit Agreement to reimburse the Administrative Agent for all reasonable out-of-pocket expenses incurred by the Administrative Agent in connection with the preparation, negotiation, execution and delivery of this Amendment, including but not limited to the reasonable fees, charges and disbursements of a single counsel for the Administrative Agent with respect thereto.

7. Governing Law. This Amendment shall be construed in accordance with and governed by the laws of the State of New York.

8. Headings. Section headings in this Amendment are included herein for convenience of reference only and shall not constitute a part of this Amendment for any other purposes.

9. Counterparts. This Amendment may be executed in any number of counterparts, each of which when so executed shall be deemed an original but all such counterparts shall constitute one and the same instrument. Delivery of an executed signature page of this Amendment by facsimile transmission or electronic mail shall be effective as delivery of manually executed counterpart hereof.

[signature pages follow]

IN WITNESS WHEREOF, the parties have executed this Amendment as of the date and year first above written.

FORTUNE BRANDS HOME & SECURITY, INC., as Borrower

By /s/ Matthew C. Lenz
Name: Matthew C. Lenz
Title: Vice President and Treasurer

[Signature Page to Amendment No. 1 to Credit Agreement]

JPMORGAN CHASE BANK, N.A., as
Administrative Agent and a Lender

By /s/ Peter S. Predun
Name: Peter S. Predun
Title: Executive Director

[Signature Page to Amendment No. 1 to Credit Agreement]

Bank of America, N.A., as a Lender

By /s/ David L. Catherall
Name: David L. Catherall
Title: Managing Director

[Signature Page to Amendment No. 1 to Credit Agreement]

BARCLAYS BANK PLC, as a Lender

By /s/ Noam Azachi
Name: Noam Azachi
Title: Vice President

[Signature Page to Amendment No. 1 to Credit Agreement]

Citibank, N.A., as a Lender

By /s/ Shannon Sweeney
Name: Shannon Sweeney
Title: Vice President

[Signature Page to Amendment No. 1 to Credit Agreement]

CREDIT SUISSE AG, CAYMAN ISLANDS BRANCH as a Lender

| | |
|---|---|
| By | /s/ Vipul Dhadda |
| Name: | Vipul Dhadda |
| Title: | Authorized Signatory |

| | |
|---|---|
| By | /s/ Patrick L. Freytag |
| Name: | Patrick L. Freytag |
| Title: | Authorized Signatory |

[Signature Page to Amendment No. 1 to Credit Agreement]

WELLS FARGO BANK, N.A., as a Lender

By /s/ Charles W. Reed
Name: Charles W. Reed
Title: Managing Director

[Signature Page to Amendment No. 1 to Credit Agreement]

Mizuho Bank, Ltd., as a Lender

By /s/ Donna DeMagistris
Name: Donna DeMagistris
Title: Authorized Signatory

[Signature Page to Amendment No. 1 to Credit Agreement]

SUNTRUST BANK, as a Lender

By /s/ Vinay Desai
Name: Vinay Desai
Title: Vice President

[Signature Page to Amendment No. 1 to Credit Agreement]

U.S. BANK NATIONAL ASSOCIATION, as a Lender

By /s/ Matthew J. Schulz
Name: Matthew J. Schulz
Title: Senior Vice President

[Signature Page to Amendment No. 1 to Credit Agreement]

THE BANK OF TOKYO-MITSUBISHI UFJ, LTD., as a Lender

By /s/ Victor Pierzchalski
Name: Victor Pierzchalski
Title: Authorized Signatory

[Signature Page to Amendment No. 1 to Credit Agreement]

COMPASS BANK, as a Lender

By /s/ Charles Randolph
Name: Charles Randolph
Title: Senior Vice President

[Signature Page to Amendment No. 1 to Credit Agreement]

RBS CITIZENS, as a Lender

By /s/ Kristin Lenda
Name: Kristin Lenda
Title: Senior Vice President

[Signature Page to Amendment No. 1 to Credit Agreement]

THE BANK OF NOVA SCOTIA, as a Lender

| | |
|---|---|
| By | /s/ Paula J. Czach |
| Name: | Paula J. Czach |
| Title: | Managing Director & Execution Head |

| | |
|---|---|
| By | /s/ Juan P. Jimenez |
| Name: | Juan P. Jimenez |
| Title: | Associate Director |

[Signature Page to Amendment No. 1 to Credit Agreement]

PNC Bank, National Association, as a Lender

By /s/ W. J. Bowne

Name: W. J. Bowne

Title: Senior Vice President

[Signature Page to Amendment No. 1 to Credit Agreement]

HSBC Bank USA, N.A., as a Lender

By /s/ David K. Russell
Name: David K. Russell
Title: Senior Vice President

[Signature Page to Amendment No. 1 to Credit Agreement]

The Northern Trust Company, as a Lender

| | |
|---|---|
| By | /s/ Lisa DeCristofaro |
| Name: | Lisa DeCristofaro |
| Title: | VP |

[Signature Page to Amendment No. 1 to Credit Agreement]

**EXHIBIT A**

**Schedule 2.01**

**Commitments**

| Lender | Revolving Commitment | Term Commitment[1] | Total Commitment |
|---|---|---|---|
| JPMorgan Chase Bank, N.A. | $ 55,250,000 | $ 29,750,000 | $ 85,000,000 |
| Bank of America, N.A. | $ 55,250,000 | $ 29,750,000 | $ 85,000,000 |
| Barclays Bank PLC | $ 55,250,000 | $ 29,750,000 | $ 85,000,000 |
| Citibank, N.A. | $ 55,250,000 | $ 29,750,000 | $ 85,000,000 |
| Credit Suisse AG | $ 55,250,000 | $ 29,750,000 | $ 85,000,000 |
| Wells Fargo Bank, N.A. | $ 55,250,000 | $ 29,750,000 | $ 85,000,000 |
| Mizuho Bank, Ltd. | $ 39,000,000 | $ 21,000,000 | $ 60,000,000 |
| SunTrust Bank | $ 39,000,000 | $ 21,000,000 | $ 60,000,000 |
| U.S. Bank National Association | $ 39,000,000 | $ 21,000,000 | $ 60,000,000 |
| The Bank of Tokyo-Mitsubishi UFJ, Ltd. | $ 32,500,000 | $ 17,500,000 | $ 50,000,000 |
| Compass Bank | $ 32,500,000 | $ 17,500,000 | $ 50,000,000 |
| RBS Citizens, N.A. | $ 32,500,000 | $ 17,500,000 | $ 50,000,000 |
| The Bank of Nova Scotia | $ 29,250,000 | $ 15,750,000 | $ 45,000,000 |
| PNC Bank, National Association | $ 29,250,000 | $ 15,750,000 | $ 45,000,000 |
| HSBC Bank USA, N.A. | $ 22,750,000 | $ 12,250,000 | $ 35,000,000 |
| The Northern Trust Company | $ 22,750,000 | $ 12,250,000 | $ 35,000,000 |
| **TOTAL** | **$650,000,000.00** | **$350,000,000.00** | **$1,000,000,000.00** |

1 Notwithstanding anything in the Credit Agreement to the contrary, amounts on this schedule under the heading “Term Commitment” shall represent, for each Lender, the outstanding amount of such Lender’s Term Loan on the Amendment No. 1 Date after giving effect to the Loans and repayments contemplated by Amendment No. 1.

EXHIBIT B

EXHIBIT B-1

[FORM OF]

REVOLVING NOTE

$__,000,000 __________ , 201__

Fortune Brands Home & Security, Inc., a Delaware corporation (the "Borrower"), promises to pay to (the "Lender") the aggregate unpaid principal amount of the Revolving Loans made by the Lender to the Borrower pursuant to Article II of the Agreement (as hereinafter defined), in immediately available funds at the main office of JPMorgan Chase Bank, N.A. in New York, New York, as Administrative Agent, together with interest on the unpaid principal amount hereof at the rates and on the dates set forth in the Agreement. The Borrower shall pay the principal of and accrued and unpaid interest on such Revolving Loans in full on the Revolving Maturity Date.

The Lender shall, and is hereby authorized to, record on the schedule attached hereto, or to otherwise record in accordance with its usual practice, the date and amount of each Revolving Loan and the date and amount of each principal payment hereunder.

This Revolving Note is one of the Notes issued pursuant to, and is entitled to the benefits of, the Credit Agreement dated as of August 22, 2011 (which, as it may be amended, restated or modified and in effect from time to time, is herein called the "Agreement"), among the Borrower, the lenders party thereto, including the Lender, and JPMorgan Chase Bank, N.A., as Administrative Agent, to which Agreement reference is hereby made for a statement of the terms and conditions governing this Revolving Note, including the terms and conditions under which this Revolving Note may be prepaid or its maturity date accelerated. Capitalized terms used herein and not otherwise defined herein are used with the meanings attributed to them in the Agreement.

This Revolving Note is to be governed by and construed and enforced in accordance with the laws of the State of New York.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the undersigned has executed this Revolving Note by its duly authorized officer.

FORTUNE BRANDS HOME & SECURITY, INC.

By: ______________________________

Name:

Title:

SCHEDULE OF LOANS AND PAYMENTS OF PRINCIPAL
TO
REVOLVING NOTE,
DATED ___________ , 201______

| Date | Principal Amount of Loan | Maturity of Interest Period | Principal Amount Paid | Unpaid Balance |
|---|---|---|---|---|

EXHIBIT C

EXHIBIT B-2

[FORM OF]

TERM NOTE

$__,000,000 __________, 201__

Fortune Brands Home & Security, Inc., a Delaware corporation (the "Borrower"), promises to pay to (the "Lender") the aggregate unpaid principal amount of the Term Loan made by the Lender to the Borrower pursuant to Article II of the Agreement (as hereinafter defined), in immediately available funds at the main office of JPMorgan Chase Bank, N.A. in New York, New York, as Administrative Agent, together with interest on the unpaid principal amount hereof at the rates and on the dates set forth in the Agreement. The Borrower shall pay the principal of and accrued and unpaid interest on the Term Loan in full on the Term Maturity Date.

The Lender shall, and is hereby authorized to, record on the schedule attached hereto, or to otherwise record in accordance with its usual practice, the date and amount of each Term Loan and the date and amount of each principal payment hereunder.

This Term Note is one of the Notes issued pursuant to, and is entitled to the benefits of, the Credit Agreement dated as of August 22, 2011 (which, as it may be amended, restated or modified and in effect from time to time, is herein called the "Agreement"), among the Borrower, the lenders party thereto, including the Lender, and JPMorgan Chase Bank, N.A., as Administrative Agent, to which Agreement reference is hereby made for a statement of the terms and conditions governing this Term Note, including the terms and conditions under which this Term Note may be prepaid or its maturity date accelerated. Capitalized terms used herein and not otherwise defined herein are used with the meanings attributed to them in the Agreement.

This Term Note is to be governed by and construed and enforced in accordance with the laws of the State of New York.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the undersigned has executed this Term Note by its duly authorized officer.

FORTUNE BRANDS HOME & SECURITY, INC.

By: ________________________________

Name:

Title:

SCHEDULE OF LOANS AND PAYMENTS OF PRINCIPAL
TO
TERM NOTE,
DATED ______ , 201______

| Date | Principal Amount of Loan | Maturity of Interest Period | Principal Amount Paid | Unpaid Balance |
|---|---|---|---|---|

**EXHIBIT 31.1**

## CERTIFICATION

I, Christopher J. Klein, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarter ended September 30, 2013 of Fortune Brands Home & Security, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 1, 2013

/s/ Christopher J. Klein
Christopher J. Klein
Chief Executive Officer

**EXHIBIT 31.2**

**CERTIFICATION**

I, E. Lee Wyatt, Jr., certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarter ended September 30, 2013 of Fortune Brands Home & Security, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 1, 2013

/s/ E. Lee Wyatt, Jr.
E. Lee Wyatt, Jr.
Senior Vice President and Chief Financial Officer

**EXHIBIT 32**

**JOINT CEO/CFO CERTIFICATE REQUIRED PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

Each of the undersigned, the Chief Executive Officer and the Senior Vice President and Chief Financial Officer of Fortune Brands Home & Security, Inc. (the "Company"), hereby certifies pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report of the Company on Form 10-Q for the period ended September 30, 2013, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and the results of operations of the Company.

Dated: November 1, 2013

/s/ Christopher J. Klein
Christopher J. Klein
Chief Executive Officer

/s/ E. Lee Wyatt, Jr.
E. Lee Wyatt, Jr.
Senior Vice President and Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to Fortune Brands Home & Security, Inc. and will be retained by Fortune Brands Home & Security, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.