

FORTUNE BRANDS HOME & SECURITY, INC.

RECONCILIATION OF OPERATING INCOME BEFORE CHARGES/GAINS TO GAAP OPERATING INCOME

(In millions)

(Unaudited)

	For the three months ended				For the nine months ended			
	September 30, 2015	September 30, 2014	\$ change	% change	September 30, 2015	September 30, 2014	\$ change	% change
CABINETS								
Operating income before charges/gains ^(a)	\$ 63.7	\$ 36.5	\$ 27.2	75	\$ 134.6	\$ 102.8	\$ 31.8	31
Restructuring charges ^(b)	0.4	-	0.4	100	(0.6)	(0.3)	(0.3)	(100)
Other charges ^(b)								
Cost of products sold	0.1	-	0.1	100	(1.9)	-	(1.9)	(100)
Operating income (GAAP)	\$ 64.2	\$ 36.5	\$ 27.7	76	\$ 132.1	\$ 102.5	\$ 29.6	29
PLUMBING								
Operating income before charges/gains ^(a)	\$ 81.5	\$ 76.0	\$ 5.5	7	\$ 221.4	\$ 201.3	\$ 20.1	10
Restructuring charges ^(b)	(0.6)	0.3	(0.9)	(300)	(6.3)	1.2	(7.5)	(625)
Other charges ^(b)								
Cost of products sold	-	(0.4)	0.4	100	(0.1)	0.2	(0.3)	(150)
Selling, general and administrative expenses	-	(0.1)	0.1	100	(0.4)	(0.1)	(0.3)	(300)
Operating income (GAAP)	\$ 80.9	\$ 75.8	\$ 5.1	7	\$ 214.6	\$ 202.6	\$ 12.0	6
DOORS								
Operating income before charges/gains ^(a)	\$ 16.7	\$ 12.1	\$ 4.6	38	\$ 30.7	\$ 21.7	\$ 9.0	41
Operating income (GAAP)	\$ 16.7	\$ 12.1	\$ 4.6	38	\$ 30.7	\$ 21.7	\$ 9.0	41
SECURITY								
Operating income before charges/gains ^(a)	\$ 20.9	\$ 20.6	\$ 0.3	1	\$ 50.6	\$ 43.8	\$ 6.8	16
Restructuring charges ^(b)	(1.6)	(0.4)	(1.2)	(300)	(4.8)	(0.4)	(4.4)	(1,100)
Other charges ^(b)								
Cost of products sold	(2.7)	-	(2.7)	(100)	(2.7)	-	(2.7)	(100)
Operating income (GAAP)	\$ 16.6	\$ 20.2	\$ (3.6)	(18)	\$ 43.1	\$ 43.4	\$ (0.3)	(1)
CORPORATE								
Corporate expense before charges/gains ^(a)	\$ (15.1)	\$ (13.9)	\$ (1.2)	(9)	\$ (45.9)	\$ (42.6)	\$ (3.3)	(8)
Restructuring charges ^(b)	-	(0.1)	0.1	100	(0.9)	(1.6)	0.7	44
Other charges ^(b)								
Selling, general and administrative expenses	(0.2)	-	-	(100)	(15.1)	-	-	(100)
Defined benefit plan actuarial losses ^(c)	(2.8)	(1.1)	(1.7)	(155)	(2.8)	(1.7)	(1.1)	(65)
Corporate expense (GAAP)	\$ (18.1)	\$ (15.1)	\$ (2.8)	(20)	\$ (64.7)	\$ (45.9)	\$ (3.7)	(41)
FORTUNE BRANDS HOME & SECURITY								
Operating income before charges/gains ^(a)	\$ 167.7	\$ 131.3	\$ 36.4	28	\$ 391.4	\$ 327.0	\$ 64.4	20
Restructuring charges ^(b)	(1.8)	(0.2)	(1.6)	(800)	(12.6)	(1.1)	(11.5)	(1,045)
Other charges ^(b)								
Cost of products sold	(2.6)	(0.4)	(2.2)	(550)	(4.7)	0.2	(4.9)	(2,450)
Selling, general and administrative expenses	(0.2)	(0.1)	(0.1)	(100)	(15.5)	(0.1)	(15.4)	(15,400)
Defined benefit plan actuarial losses ^(c)	(2.8)	(1.1)	(1.7)	(155)	(2.8)	(1.7)	(1.1)	(65)
Operating income (GAAP)	\$ 160.3	\$ 129.5	\$ 30.8	24	\$ 355.8	\$ 324.3	\$ 31.5	10

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

(b) Represents actuarial gains or losses associated with our defined benefit plans. Actuarial gains or losses in a period represent the difference between actual and actuarially assumed experience, principally related to liability discount rates and plan asset returns, as well as other actuarial assumptions including compensation rates, turnover rates, and health care cost trend rates. The Company recognizes actuarial gains or losses immediately in operating income to the extent they cumulatively exceed a "corridor." The corridor is equal to the greater of 10% of the fair value of plan assets or 10% of a plan's projected benefit obligation. Actuarial gains or losses are determined at required remeasurement dates which occur at least annually in the fourth quarter. Remeasurements due to plan amendments and settlements may also occur in interim periods during the year. Our operating income before charges/gains reflects our expected rate of return on pension plan assets which in a given period may materially differ from our actual return on plan assets. Our liability discount rates and plan asset returns are based upon difficult to predict fluctuations in global bond and equity markets that are not directly related to the Company's business. We believe that the exclusion of actuarial gains or losses from operating income before charges/gains provides investors with useful supplemental information regarding the underlying performance of the business from period to period that may be considered in conjunction with our operating income as measured on a GAAP basis. We present this supplemental information because such actuarial gains or losses may create volatility in our operating income that does not necessarily have an immediate corresponding impact on operating cash flow or the actual compensation and benefits provided to our employees. The table below sets forth additional supplemental information on the Company's historical actual and expected rate of return on plan assets, as well as discount rates used to value its defined benefit obligations:

(\$ In millions)

	Year Ended		Year Ended	
	December 31, 2014		December 31, 2013	
	%	\$	%	\$
Actual return on plan assets	9.8%	\$52.0	15.2%	\$74.6
Expected return on plan assets	7.4%	42.2	7.8%	41.8
Discount rate at December 31:				
Pension benefits	4.2%		5.0%	
Postretirement benefits	3.5%		4.3%	

FORTUNE BRANDS HOME & SECURITY, INC.
BEFORE CHARGES/GAINS OPERATING MARGIN TO GAAP OPERATING
MARGIN

(Unaudited)

Three Months Ended September 30,		
2015	2014	Change

CABINETS

Before Charges/Gains Operating Margin

Restructuring & Other Charges

GAAP Operating Margin

10.6%	8.1%	250 bps
0.1%	-	
10.7%	8.1%	260 bps

PLUMBING

Before Charges/Gains Operating Margin

Restructuring & Other Charges

GAAP Operating Margin

22.4%	22.0%	40 bps
(0.2%)	(0.2%)	
22.2%	21.9%	30 bps

DOORS

Before Charges/Gains Operating Margin

GAAP Operating Margin

13.5%	10.6%	290 bps
13.5%	10.6%	290 bps

SECURITY

Before Charges/Gains Operating Margin

Restructuring & Other Charges

GAAP Operating Margin

14.2%	14.2%	0 bps
(2.9%)	(0.3%)	
11.3%	13.9%	(260) bps

FBHS

Before Charges/Gains Operating Margin

Restructuring & Other Charges

Norcraft transaction costs

Defined benefit plan actuarial losses

GAAP Operating Margin

13.5%	12.4%	110 bps
(0.4%)	(0.1%)	
-	-	
(0.2%)	(0.1%)	
12.9%	12.2%	70 bps

Before charges/gains operating margin is operating margin derived in accordance with GAAP excluding restructuring and other charges, Norcraft transaction costs and the impact of expense from actuarial losses associated with our defined benefit plans. Before charges/gains operating margin is a measure not derived in accordance with GAAP. Management uses this measure to evaluate the returns generated by FBHS and its business segments. Management believes this measure provides investors with helpful supplemental information regarding the underlying performance of the Company from period to period. This measure may be inconsistent with similar measures presented by other companies.

FORTUNE BRANDS HOME & SECURITY, INC.

(In millions)

(Unaudited)

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

As of September 30, 2015

Current portion of long-term debt (a)	3.8
Long-term debt ^(a)	1,337.6
Total debt	1,341.4
Less:	
Cash and cash equivalents ^(a)	350.6
Net debt (1)	990.8

For the twelve months ended September 30, 2015

EBITDA before charges/gains (2)	597.6
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Net debt-to-EBITDA before charges/gains ratio (1/2)

1.7

(a) Amounts are per the unaudited Condensed Consolidated Balance Sheet as of September 30, 2015.

	Three Months Ended December 31, 2014	Nine Months Ended September 30, 2015	Twelve Months Ended September 30, 2015
Income from continuing operations, net of tax	\$ 56.5	\$ 218.9	\$ 275.4
Depreciation	\$ 20.4	\$ 66.5	\$ 86.9
Amortization of intangible assets	3.6	15.3	18.9
Restructuring and other charges	12.5	15.7	28.2
Interest expense	3.2	20.5	23.7
Norcraft transaction costs ^(e)	-	17.1	17.1
Asset impairment charges	1.6	-	1.6
Defined benefit plan actuarial losses	12.0	2.8	14.8
Income taxes	18.3	112.7	131.0
EBITDA BEFORE CHARGES/GAINS ^(d)	\$ 128.1	\$ 469.5	\$ 597.6

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

DILUTED EPS BEFORE CHARGES/GAINS RECONCILIATION

For the third quarter of 2015, diluted EPS before charges/gains is income from continuing operations, net of tax and including the impact from noncontrolling interests calculated on a diluted per-share basis excluding \$4.4 million (\$3.0 million after tax or \$0.02 per diluted share) of net restructuring and other charges, transaction costs related to the acquisition of Norcraft of \$0.2 million (\$0.1 million after tax), the impact of expense from actuarial losses associated with our defined benefit plans of \$2.8 million (\$1.8 million after tax or \$0.01 per diluted share) and a benefit related to a tax item of \$0.5 million.

For the nine months ended September 30, 2015, diluted EPS before charges/gains is income from continuing operations, net of tax and including the impact from noncontrolling interests calculated on a diluted per-share basis excluding \$15.7 million (\$11.7 million after tax or \$0.07 per diluted share) of restructuring and other charges, transaction costs related to the acquisition of Norcraft of \$17.1 million (\$13.4 million after tax or \$0.08 per diluted share), the impact of expense from actuarial losses associated with our defined benefit plans of \$2.8 million (\$1.8 million after tax or \$0.01 per diluted share) and a charge related to a tax item of \$1.1 million (\$0.01 per diluted share).

For the third quarter of 2014, diluted EPS before charges/gains is income from continuing operations, net of tax and including the impact from noncontrolling interests calculated on a diluted per-share basis excluding \$0.7 million (\$0.5 million after tax) of net restructuring and other charges and the impact of expense from actuarial losses associated with our defined benefit plans of \$1.1 million (\$0.7 million after tax).

For the nine months ended September 30, 2014, diluted EPS before charges/gains is income from continuing operations, net of tax and including the impact from noncontrolling interests calculated on a diluted per-share basis excluding \$1.0 million (\$0.2 million after tax) of restructuring and other charges and the impact of expense from actuarial losses associated with our defined benefit plans of \$1.7 million (\$1.1 million after tax or \$0.01 per diluted share).

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2015	2014	% Change	2015	2014	% Change
Earnings Per Common Share - Diluted						
Diluted EPS Before Charges/Gains ^(b)	\$ 0.64	\$ 0.52	23	\$ 1.51	\$ 1.30	16
Restructuring and other charges	(0.02)	-	-	(0.07)	-	-
Norcraft transaction costs ^(d)	-	-	-	(0.08)	-	-
Defined benefit plan actuarial losses	(0.01)	-	-	(0.01)	(0.01)	-
Tax item	-	-	-	(0.01)	-	-
Diluted EPS - Continuing Operations	\$ 0.61	\$ 0.52	17	\$ 1.34	\$ 1.29	4

RECONCILIATION OF FULL YEAR 2015 EARNINGS GUIDANCE TO GAAP

For the full year, the Company is targeting diluted EPS before charges/gains from continuing operations to be in the range of \$2.05 to \$2.07 per share. On a GAAP basis, the Company is targeting diluted EPS from continuing operations to be in the range of \$1.84 to \$1.86 per share. The Company's GAAP basis EPS range assumes the Company incurs no actuarial gains or losses associated with its defined benefit plans.

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

FORTUNE BRANDS HOME & SECURITY, INC.
RECONCILIATION OF PERCENTAGE CHANGE IN NET SALES EXCLUDING NORCRAFT TO
PERCENTAGE CHANGE IN NET SALES (GAAP)
(Unaudited)

**Three Months Ended
September 30, 2015**

CABINETS

Percentage change in Net Sales excluding Norcraft
 Norcraft Net Sales
Percentage change in Net Sales (GAAP)

10%
23%
33%

Net sales excluding Norcraft is net sales derived in accordance with GAAP excluding Norcraft. Management uses this measure to evaluate the overall performance of the Cabinets segment and believes this measure provides investors with helpful supplemental information regarding the underlying performance of the segment from period to period. This measure may be inconsistent with similar measures presented by other companies.

FORTUNE BRANDS HOME & SECURITY, INC.
RECONCILIATION OF PERCENTAGE CHANGE IN NET SALES EXCLUDING THE IMPACT OF
CURRENCY IN Q3 2015 TO PERCENTAGE CHANGE IN NET SALES (GAAP)
(Unaudited)

**Three months ended
September 30, 2015**

% change

CABINETS

US Net Sales Excluding Norcraft
 Norcraft US Net Sales
Percentage Change in US Net Sales
 Canada Net Sales
Percentage change in Net Sales (GAAP)

14%
24%
38%
(5%)
33%

PLUMBING

Percentage change in Net Sales excluding the impact of currency Q3 2015
 Impact of currency in Q3 2015
Percentage change in Net Sales (GAAP)

8%
(3%)
5%

Net sales excluding the impact of currency in Q3 2015 is net sales derived in accordance with GAAP excluding the impact of currency in the third quarter of 2015. Management uses this measure to evaluate the overall performance of FBHS and its business segments. Management believes this measure provides investors with helpful supplemental information regarding the underlying performance of the Company from period to period. This measure may be inconsistent with similar measures presented by other companies.

**FORTUNE BRANDS HOME & SECURITY, INC.
BEFORE CHARGES/GAINS OPERATING MARGIN TO GAAP
OPERATING MARGIN**

(Unaudited)

Twelve Months Ended December 31,

2014

CABINETS

Before Charges/Gains Operating Margin

Restructuring & Other Charges

GAAP Operating Margin

7.7%

-

7.7%

DOORS

Before Charges/Gains Operating Margin

GAAP Operating Margin

Net Sales

7.1%

7.1%

Before charges/gains operating margin is operating margin derived in accordance with GAAP excluding restructuring and other charges. Before charges/gains operating margin is a measure not derived in accordance with GAAP. Management uses this measure to evaluate the returns generated by FBHS and its business segments. Management believes this measure provides investors with helpful supplemental information regarding the underlying performance of the Company from period to period. This measure may be inconsistent with similar measures presented by other companies.

Definitions of Terms: Non-GAAP Measures

(a) Operating income before charges/gains is operating income derived in accordance with U.S. generally accepted accounting principles ("GAAP") excluding restructuring and other charges, Norcraft transaction related expenses and the impact of income and expense from actuarial gains or losses associated with our defined benefit plans. Operating income before charges/gains is a measure not derived in accordance with GAAP. Management uses this measure to evaluate the returns generated by FBHS and its business segments. Management believes this measure provides investors with helpful supplemental information regarding the underlying performance of the Company from period to period. This measure may be inconsistent with similar measures presented by other companies.

(b) Restructuring charges are costs incurred to implement significant cost reduction initiatives and include workforce reduction costs. Other charges represent charges or gains directly related to restructuring initiatives that cannot be reported as restructuring under GAAP. Such costs may include losses on disposal of inventories, trade receivables allowances from exiting product lines, accelerated depreciation resulting from the closure of facilities, and gains or losses on the sale of previously closed facilities. For the Cabinets segment, other charges represent the Norcraft purchase accounting impact of expense related to our estimated inventory step up. For Corporate, other charges represents external costs directly related to the acquisition of Norcraft and primarily include expenditures for banking, legal, accounting and other similar services.

(c) Represents actuarial gains or losses associated with our defined benefit plans. Actuarial gains or losses in a period represent the difference between actual and actuarially assumed experience, principally related to liability discount rates and plan asset returns, as well as other actuarial assumptions including compensation rates, turnover rates, and health care cost trend rates. The Company recognizes actuarial gains or losses immediately in operating income to the extent they cumulatively exceed a "corridor." The corridor is equal to the greater of 10% of the fair value of plan assets or 10% of a plan's projected benefit obligation. Actuarial gains or losses are determined at required remeasurement dates which occur at least annually in the fourth quarter. Remeasurements due to plan amendments and settlements may also occur in interim periods during the year. Our operating income before charges/gains reflects our expected rate of return on pension plan assets which in a given period may materially differ from our actual return on plan assets. Our liability discount rates and plan asset returns are based upon difficult to predict fluctuations in global bond and equity markets that are not directly related to the Company's business. We believe that the exclusion of actuarial gains or losses from operating income before charges/gains provides investors with useful supplemental information regarding the underlying performance of the business from period to period that may be considered in conjunction with our operating income as measured on a GAAP basis. We present this supplemental information because such actuarial gains or losses may create volatility in our operating income that does not necessarily have an immediate corresponding impact on operating cash flow or the actual compensation and benefits provided to our employees. The table below sets forth additional supplemental information on the Company's historical actual and expected rate of return on plan assets, as well as discount rates used to value its defined benefit obligations:

(\$ In millions)	Year Ended December 31, 2014		Year Ended December 31, 2013	
	%	\$	%	\$
Actual return on plan assets	9.8%	\$52.0	15.2%	\$74.6
Expected return on plan assets	7.4%	42.2	7.8%	41.8
Discount rate at December 31:				
Pension benefits	4.2%		5.0%	
Postretirement benefits	3.5%		4.3%	

(d) EBITDA before charges/gains is income from continuing operations, net of tax, derived in accordance with GAAP excluding the following impacts on income from continuing operations, net of tax: restructuring and other charges, Norcraft transaction related expenses, asset impairment charges, the impact of income and expense from actuarial gains or losses associated with our defined benefit plans, depreciation, amortization of intangible assets, interest expense, and income taxes. EBITDA before charges/gains is a measure not derived in accordance with GAAP. Management uses this measure to assess returns generated by FBHS. Management believes this measure provides investors with helpful supplemental information about the Company's ability to fund internal growth, make acquisitions and repay debt and related interest. This measure may be inconsistent with similar measures presented by other companies.

(e) Represents external costs directly related to the acquisition of Norcraft and primarily includes expenditures for banking, legal, accounting and other similar services. In addition, it includes the impact of expense related to our estimated purchase accounting inventory step up.

(f) Diluted EPS before charges/gains is income from continuing operations, net of tax, less noncontrolling interests calculated on a diluted per-share basis excluding restructuring and other charges, Norcraft transaction related expenses, and the impact of income, a tax item and expense from actuarial gains or losses associated with our defined benefit plans. Diluted EPS before charges/gains is a measure not derived in accordance with GAAP. Management uses this measure to evaluate the overall performance of the Company and believes this measure provides investors with helpful supplemental information regarding the underlying performance of the Company from period to period. This measure may be inconsistent with similar measures presented by other companies.