

FORTUNE BRANDS HOME & SECURITY, INC.

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

(In millions)

(Unaudited)

	For the three months ended			
	March 31, 2015	March 31, 2014	\$ change	% change
CABINETS				
Operating income before charges/gains ^(a)	\$ 13.9	\$ 20.0	\$ (6.1)	(31)
Restructuring charges ^(b)	(0.9)	(0.1)	(0.8)	(800)
Operating income (GAAP)	\$ 13.0	\$ 19.9	\$ (6.9)	(35)
PLUMBING				
Operating income before charges/gains ^(a)	\$ 64.9	\$ 55.4	\$ 9.5	17
Restructuring charges ^(b)	(1.0)	(0.1)	(0.9)	(900)
Other charges ^(b)				
Cost of products sold	(0.1)	-	(0.1)	(100)
Operating income (GAAP)	\$ 63.8	\$ 55.3	\$ 8.5	15
DOORS				
Operating income before charges/gains ^(a)	\$ (1.2)	\$ (0.1)	\$ (1.1)	(1,100)
Operating income (GAAP)	\$ (1.2)	\$ (0.1)	\$ (1.1)	(1,100)
SECURITY				
Operating income before charges/gains ^(a)	\$ 9.9	\$ 9.2	\$ 0.7	8
Restructuring charges ^(b)	(1.9)	-	(1.9)	(100)
Operating income (GAAP)	\$ 8.0	\$ 9.2	\$ (1.2)	(13)
CORPORATE				
Corporate expense before charges/gains ^(a)	\$ (14.3)	\$ (14.4)	\$ 0.1	1
Restructuring charges ^(b)	(0.9)	-	(0.9)	(100)
Other charges				
Cost of products sold	(1.1)	-	-	(100)
Defined benefit plan actuarial losses ^(b)	-	(0.6)	0.6	100
Corporate expense (GAAP)	\$ (16.3)	\$ (15.0)	\$ (0.2)	(9)
FORTUNE BRANDS HOME & SECURITY				
Operating income before charges/gains ^(a)	\$ 73.2	\$ 70.1	\$ 3.1	4
Restructuring charges ^(b)	(4.7)	(0.2)	(4.5)	(2,250)
Other charges ^(b)				
Cost of products sold	(1.2)	-	(1.2)	(100)
Defined benefit plan actuarial losses ^(c)	-	(0.6)	0.6	100
Operating income (GAAP)	\$ 67.3	\$ 69.3	\$ (2.0)	(3)

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

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

(Unaudited)

Three Months Ended March 31,		
2015	2014	Change

PLUMBING

Before Charges/Gains Operating Margin

Restructuring & Other Charges

GAAP Operating Margin

19.5%	17.9%	160 bps
(0.4%)	0.0%	
19.1%	17.9%	120 bps

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

FORTUNE BRANDS HOME & SECURITY, INC.
RECONCILIATION OF PERCENTAGE CHANGE IN NET SALES EXCLUDING THE
IMPACT OF THE SHIFT IN TIMING OF IN-STOCK CABINETS AND VANITIES
FROM Q1 TO Q2 2015 AND THE IMPACT OF CURRENCY IN Q1 2015 TO
PERCENTAGE CHANGE IN NET SALES (GAAP)

(Unaudited)

**Three Months Ended
 March 31, 2015**

CABINETS

Percentage change in Net Sales excluding Q1 2015 impacts

Shift in timing of in-stock cabinets and vanities from Q1 to Q2 2015

Impact of currency in Q1 2015

Percentage change in Net Sales (GAAP)

4%
(3%)
(1%)
-

Net sales excluding the impact of the shift in timing of in-stock cabinets and vanities from Q1 to Q2 2015 and the impact of currency in Q1 2015 is net sales derived in accordance with GAAP excluding the impact of the shift in timing of in-stock cabinets and vanities and the impact of currency in the first quarter of 2015. Management uses this measure to evaluate the overall performance of the Kitchen & Bath Cabinetry segment and believes this measure provides investors with helpful supplemental information regarding the underlying performance of the segment from period to period. This measure may be inconsistent with similar measures presented by other companies.

FORTUNE BRANDS HOME & SECURITY, INC.

**RECONCILIATION OF PERCENTAGE CHANGE IN NET SALES EXCLUDING THE
IMPACT OF CURRENCY IN Q1 2015 TO PERCENTAGE CHANGE IN NET SALES
(GAAP)**

(Unaudited)

	Three months ended March 31, 2015
	% change
CABINETS	
Percentage change in Net Sales excluding the impact of currency Q1 2015	1%
Impact of currency in Q1 2015	(1%)
Percentage change in Net Sales (GAAP)	-
PLUMBING	
Percentage change in Net Sales excluding the impact of currency Q1 2015	9%
Impact of currency in Q1 2015	(1%)
Percentage change in Net Sales (GAAP)	8%
DOORS	
Percentage change in Net Sales excluding the impact of currency Q1 2015	5%
Impact of currency in Q1 2015	-
Percentage change in Net Sales (GAAP)	5%
SECURITY	
Percentage change in Net Sales excluding the impact of currency Q1 2015	41%
Impact of currency in Q1 2015	(2%)
Percentage change in Net Sales (GAAP)	39%
FORTUNE BRANDS HOME & SECURITY	
Percentage change in Net Sales excluding the impact of currency Q1 2015	8%
Impact of currency in Q1 2015	(1%)
Percentage change in Net Sales (GAAP)	7%

Net sales excluding the impact of currency in Q1 2015 is net sales derived in accordance with GAAP excluding the impact of currency in the first 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.

(In millions)

(Unaudited)

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

As of March 31, 2015

Current portion of long-term debt ^(a)	26.3
Long-term debt ^(a)	733.7
Total debt	760.0
Less:	
Cash and cash equivalents ^(a)	179.4
Net debt (1)	580.6

For the twelve months ended March 31, 2015

EBITDA before charges/gains (2)	522.1
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Net debt-to-EBITDA before charges/gains ratio (1/2)	1.1
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(a) Amounts are per the unaudited Condensed Consolidated Balance Sheet as of March 31, 2015.

	Nine Months Ended December 31, 2014	Three Months Ended March 31, 2015	Twelve Months Ended March 31, 2015
Income from continuing operations, net of tax	\$ 227.3	\$ 40.9	\$ 268.2
Depreciation	\$ 56.1	\$ 20.5	\$ 76.6
Amortization of intangible assets	10.0	3.5	13.5
Restructuring and other charges	13.3	5.9	19.2
Interest expense	8.5	3.4	11.9
Asset impairment charges	1.6	-	1.6
Defined benefit plan actuarial losses	13.1	-	13.1
Income taxes	96.7	21.3	118.0
EBITDA BEFORE CHARGES/GAINS ^(d)	\$ 426.6	\$ 95.5	\$ 522.1

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

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

(b) 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 charges or gains may include losses on disposal of inventories, trade receivables allowances from exiting product lines, accelerated depreciation resulting from the closure of facilities, and gains and losses on the sale of previously closed facilities. In addition, other charges include expenses related to the pending Norcraft transaction.

(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, 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.