

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

	For the three months period			
	March 31, 2013	March 31, 2012	\$ change	% change
<b>KITCHEN &amp; BATH CABINERY</b>				
Operating income (loss) before charges/gains <sup>(a)</sup>	\$ 14.9	\$ (3.9)	\$ 18.8	482.1
Restructuring charges	(0.3)	(0.8)	0.5	62.5
Other charges				
Cost of products sold	(0.3)	(0.6)	0.3	50.0
Operating income (loss) (GAAP)	\$ 14.3	\$ (5.3)	\$ 19.6	369.8
<b>PLUMBING &amp; ACCESSORIES</b>				
Operating income before charges/gains <sup>(a)</sup>	\$ 55.0	\$ 36.2	\$ 18.8	51.9
Operating income (GAAP)	\$ 55.0	\$ 36.2	\$ 18.8	51.9
<b>ADVANCED MATERIAL WINDOWS &amp; DOOR SYSTEMS</b>				
Operating loss before charges/gains <sup>(a)</sup>	\$ (7.9)	\$ (10.3)	\$ 2.4	23.3
Restructuring charges	(0.6)	(0.2)	(0.4)	(200.0)
Contingent acquisition consideration adjustment	-	2.0	(2.0)	(100.0)
Operating loss (GAAP)	\$ (8.5)	\$ (8.5)	\$ -	-
<b>SECURITY &amp; STORAGE</b>				
Operating income before charges/gains <sup>(a)</sup>	\$ 12.3	\$ 11.8	\$ 0.5	4.2
Operating income (GAAP)	\$ 12.3	\$ 11.8	\$ 0.5	4.2
<b>CORPORATE</b>				
Operating loss before charges/gains <sup>(a)</sup>	\$ (11.9)	\$ (12.9)	\$ 1.0	7.8
Defined benefit plan actuarial losses <sup>(b)</sup>	(4.6)	-	(4.6)	(100.0)
Corporate expense (GAAP)	\$ (16.5)	\$ (12.9)	\$ (3.6)	(27.9)
<b>FORTUNE BRANDS HOME &amp; SECURITY</b>				
Operating income before charges/gains <sup>(a)</sup>	\$ 62.4	\$ 20.9	\$ 41.5	198.6
Restructuring charges	(0.9)	(1.0)	0.1	10.0
Other charges				
Cost of products sold	(0.3)	(0.6)	0.3	50.0
Contingent acquisition consideration adjustment	-	2.0	(2.0)	(100.0)
Defined benefit plan actuarial losses <sup>(b)</sup>	(4.6)	-	(4.6)	(100.0)
Operating income (GAAP)	\$ 56.6	\$ 21.3	\$ 35.3	165.7

(a) Operating income (loss) before charges/gains is operating income derived in accordance with U.S. generally accepted accounting principles ("GAAP") excluding restructuring and other charges, income from a contingent acquisition consideration adjustment and the impact of income and expense from actuarial gains or losses associated with our defined benefit plans. Operating income (loss) before charges/gains is a measure not derived in accordance with GAAP. Management uses this measure to determine the returns generated by FBHS and to evaluate and identify cost-reduction initiatives.

Management believes this measure provides investors with helpful supplemental information regarding the underlying performance of the Company from period to period. This measure may be inconsistent with similar measures presented by other companies.

(b) Represents actuarial 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 (loss) 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 (loss) 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, 2012		Year Ended December 31, 2011	
	%	\$	%	\$
Actual return on plan assets				
Expected return on plan assets	14.5%	\$63.7	(0.6)%	(\$2.7)
Discount rate at December 31:	7.8%	36.8	8.5%	41.3
Pension benefits				
Postretirement benefits	4.9%		5.8%	
	4.6%		5.3%	

**FORTUNE BRANDS HOME & SECURITY, INC.**  
**RECONCILIATION OF FULL YEAR GUIDANCE DILUTED EPS BEFORE CHARGES/GAINS TO GAAP DILUTED EPS**  
**(unaudited)**

	For the twelve months ended		
	December 31, 2013	December 31, 2012	% change
<b>Diluted EPS before charges/gains - full year range</b>	\$1.23 - \$1.33	\$ 0.89	
<b>Diluted EPS before charges/gains<sup>(a)</sup></b>	\$ 1.28	\$ 0.89	43.8
Restructuring and other charges	-	(0.04)	
Contingent acquisition consideration adjustment	-	-	
Asset impairment charges	-	(0.06)	
Defined benefit plan actuarial losses <sup>(b)</sup>	(0.02)	(0.16)	
Income tax gains	-	0.08	
<b>Diluted EPS (GAAP)</b>	\$ 1.26	\$ 0.71	77.5

(a) For the year ended December 31, 2012, diluted EPS before charges/gains is net income calculated on a diluted per-share basis excluding \$10.0 million (\$6.6 million after tax or \$0.04 per diluted share) of restructuring and other charges, income from a contingent acquisition consideration adjustment of \$2.0 million (\$1.2 million after tax), asset impairment charges of \$15.8 million (\$9.7 million after tax or \$0.06 per diluted share) pertaining to the impairment of certain indefinite lived trade names, income tax gains pertaining to the favorable resolution of tax audits of \$12.7 million (\$0.08 per diluted share) and the impact of expense from actuarial losses associated with our defined benefit plans of \$42.2 million (\$26.2 million after tax or \$0.16 per diluted share).

Diluted EPS before charges/gains is a measure not derived in accordance with GAAP. Management uses this measure to evaluate the overall performance of the Company and believes this measure provides investors with helpful supplemental information regarding the underlying performance of the Company from period to period. This measure may be inconsistent with similar measures presented by other companies.

(b) Amount represents actuarial losses associated with our defined benefit plans of \$4.6 million (\$3.1 million after tax or \$0.02 per diluted share) recorded for the three months ended March 31, 2013.

**FORTUNE BRANDS HOME & SECURITY, INC.**  
**FREE CASH FLOW**  
(In millions)  
*(Unaudited)*

**Free Cash Flow**

Add:

Capital Expenditures

Less:

Proceeds from the sale of assets

Proceeds from the exercise of stock options

**Cash Flow From Operations (GAAP)**

<b>2013 Full Year</b>	
<b>Target</b>	
\$	200.0
	100.0
	-
	35.0
<b>\$</b>	<b>265.0</b>

Free cash flow is cash flow from operations calculated in accordance with GAAP less net capital expenditures (capital expenditures less proceeds from the sale of assets including property, plant and equipment) plus proceeds from the exercise of stock options. Free cash flow does not reflect adjustments for certain non-discretionary cash flows such as mandatory debt repayments. Free cash flow is a measure not derived in accordance with GAAP. Management believes that free cash flow provides investors with helpful supplemental information about the Company's ability to fund internal growth, make acquisitions, repay debt and related interest, pay dividends, and repurchase common stock. This measure may be inconsistent with similar measures presented by other companies.