

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 twelve months ended			
	December 31, 2014	December 31, 2013	\$ change	% change	December 31, 2014	December 31, 2013	\$ change	% change
CABINETS								
Operating income before charges/gains^(a)	\$ 35.5	\$ 33.6	\$ 1.9	6	\$ 138.3	\$ 120.6	\$ 17.7	15
Restructuring charges ^(b)	(0.1)	(0.3)	0.2	67	(0.4)	(2.2)	1.8	82
Other charges ^(b)	-	-	-	-	-	(0.1)	0.1	100
Cost of products sold	-	-	-	-	-	(21.2)	21.2	100
Asset impairment charge	-	-	-	-	-	-	-	-
Operating income (GAAP)	\$ 35.4	\$ 33.3	\$ 2.1	6	\$ 137.9	\$ 97.1	\$ 40.8	42
PLUMBING								
Operating income before charges/gains^(a)	\$ 58.9	\$ 53.5	\$ 5.4	10	\$ 260.2	\$ 229.7	\$ 30.5	13
Restructuring charges ^(b)	(1.7)	(0.6)	(1.1)	(183)	(0.5)	(0.6)	0.1	17
Other charges ^(b)	-	-	-	-	-	-	-	-
Cost of products sold	(0.4)	(0.6)	0.2	33	(0.2)	(0.6)	0.4	67
Selling, general and administrative expenses	(0.5)	(0.2)	(0.3)	(150)	(0.6)	(0.2)	(0.4)	(200)
Operating income (GAAP)	\$ 56.3	\$ 52.1	\$ 4.2	8	\$ 258.9	\$ 228.3	\$ 30.6	13
DOORS								
Operating income before charges/gains^(a)	\$ 7.5	\$ 3.3	\$ 4.2	127	\$ 29.2	\$ 15.3	\$ 13.9	91
Operating income (GAAP)	\$ 7.5	\$ 3.3	\$ 4.2	127	\$ 29.2	\$ 15.3	\$ 13.9	91
SECURITY								
Operating income before charges/gains^(a)	\$ 15.4	\$ 10.1	\$ 5.3	52	\$ 59.2	\$ 55.4	\$ 3.8	7
Restructuring charges ^(b)	(3.7)	-	(3.7)	(100)	(4.1)	-	(4.1)	(100)
Other charges ^(b)	-	-	-	-	-	-	-	-
Cost of products sold	(5.7)	-	(5.7)	(100)	(5.7)	-	(5.7)	(100)
Operating income (GAAP)	\$ 6.0	\$ 10.1	\$ (4.1)	(41)	\$ 49.4	\$ 55.4	\$ (6.0)	(11)
CORPORATE								
Corporate expense before charges/gains^(a)	\$ (13.6)	\$ (17.3)	\$ 3.7	21	\$ (56.2)	\$ (68.0)	\$ 11.8	17
Restructuring charges ^(b)	(0.4)	-	(0.4)	(100)	(2.0)	-	(2.0)	(100)
Defined benefit plan actuarial losses ^(b)	(12.0)	0.4	(12.4)	(3,100)	(13.7)	(5.1)	(8.6)	(169)
Corporate expense (GAAP)	\$ (26.0)	\$ (16.9)	\$ (9.1)	(54)	\$ (71.9)	\$ (73.1)	\$ 1.2	2
FORTUNE BRANDS HOME & SECURITY								
Operating income before charges/gains^(a)	\$ 103.7	\$ 83.2	\$ 20.5	25	\$ 430.7	\$ 353.0	\$ 77.7	22
Restructuring charges ^(b)	(5.9)	(0.9)	(5.0)	(556)	(7.0)	(2.8)	(4.2)	(150)
Other charges ^(b)	-	-	-	-	-	-	-	-
Cost of products sold	(6.1)	(0.6)	(5.5)	(917)	(5.9)	(0.7)	(5.2)	(743)
Selling, general and administrative expenses	(0.5)	(0.2)	(0.3)	(150)	(0.6)	(0.2)	(0.4)	(200)
Asset impairment charge	-	-	-	-	-	(21.2)	21.2	100
Defined benefit plan actuarial losses ^(c)	(12.0)	0.4	(12.4)	(3,100)	(13.7)	(5.1)	(8.6)	(169)
Operating income (GAAP)	\$ 79.2	\$ 81.9	\$ (2.7)	(3)	\$ 403.5	\$ 323.0	\$ 80.5	25

(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 December 31,	Twelve Months Ended December 31,		
	2014	2014	2013	Change
CABINETS				
Before Charges/Gains Operating Margin	7.8%	7.7%	7.3%	40 bps
Restructuring & Other Charges	-	-	(0.1%)	
Asset Impairment Charge	-	-	(1.3%)	
GAAP Operating Margin	7.8%	7.7%	5.9%	180 bps
PLUMBING				
Before Charges/Gains Operating Margin	17.6%	19.5%	17.8%	170 bps
Restructuring & Other Charges	(0.8%)	-	(0.1%)	
GAAP Operating Margin	16.8%	19.5%	17.7%	180 bps
DOORS				
Before Charges/Gains Operating Margin	6.9%	7.1%	4.1%	300 bps
GAAP Operating Margin	6.9%	7.1%	4.1%	300 bps
SECURITY				
Before Charges/Gains Operating Margin	11.1%	12.3%	13.8%	(150) bps
Restructuring & Other Charges	(6.8%)	(2.0%)	-	
GAAP Operating Margin	4.3%	10.3%	13.8%	(350) bps

Before charges/gains operating margin is operating margin derived in accordance with GAAP excluding restructuring and other charges and an asset impairment charge. 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.

BEFORE CHARGES/GAINS OPERATING MARGIN EXCLUDING SENTRY SAFE TO GAAP
OPERATING MARGIN
(Unaudited)

	Three Months Ended December 31,	Twelve Months Ended December 31,
	2014	2014
SECURITY EXCLUDING SENTRY SAFE		
Before Charges/Gains Operating Margin excluding Sentry Safe	14.3%	13.6%
Sentry Safe Operating Margin Impact	(3.2%)	(1.3%)
Before Charges/Gains Operating Margin	11.1%	12.3%
Restructuring & Other Charges	(6.8%)	(2.0%)
GAAP Operating Margin	4.3%	10.3%

Before charges/gains operating margin excluding Sentry Safe is operating margin derived in accordance with GAAP excluding restructuring and other charges and the impact of Sentry Safe. Before charges/gains operating margin is a measure not derived in accordance with GAAP. Management uses this measure to evaluate the overall performance of the Security 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.

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

(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%	