Reconciliation of Operating Income before charges/gains to GAAP Operating Income

(Unaudited)

(in millions)	Twelve Months Ended December 31, 2016	2015	2014	2013	2012	2011	% Change vs 2016
Operating income before charges/gains [1]	$ 658	$ 538	$ 431	$ 353	$ 212	$ 161	309
Restructuring and other charges [a]	(23)	(40)	(13)	(4)	(14)	(14)	(72)
Asset impairment charges	-	-	-	(21)	(13)	(24)	100
Standalone corporate costs [b]	-	-	-	-	-	14	(100)
Business separation costs [c]	-	-	-	-	-	(2)	100
Defined benefit plan actuarial losses [d]	(2)	(3)	(14)	(5)	(42)	(80)	98
GAAP operating income	$ 633	$ 496	$ 404	$ 323	$ 143	$ 55	1,057

Reconciliation of before charges/gains Operating Margin to Operating Margin

(Unaudited)

	Twelve Months Ended December 31, 2016	2015	2014	2013	2012	2011	Change vs 2016
Before charges/gains operating margin [2]	13.2%	11.8%	10.7%	9.5%	6.8%	5.6%	7.6 pts
Restructuring and other charges [a]	(0.5%)	(0.9%)	(0.3%)	(0.1%)	(0.4%)	(0.5%)	0.0 pts
Asset impairment charges	-	-	-	(0.6%)	(0.4%)	(0.8%)	0.8 pts
Standalone corporate costs [b]	-	-	-	-	-	0.5%	(0.5) pts
Business separation costs [c]	-	-	-	-	-	(0.1%)	0.1 pts
Defined benefit plan actuarial losses [d]	-	(0.1%)	(0.3%)	(0.1%)	(1.3%)	(2.8%)	2.8 pts
Operating margin	12.7%	10.8%	10.1%	8.7%	4.7%	1.9%	10.8 pts

(1) Operating income before charges/gains is operating income derived in accordance with U.S. generally accepted accounting principles ("GAAP") including estimated incremental stand alone corporate expenses for 2011 periods prior to the spin off of FBHS from Fortune Brands Inc. (the "Separation") and excluding restructuring and other charges, asset impairment charges, business separation costs 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.

(2) Operating margin is calculated as operating income derived in accordance with GAAP divided by GAAP Net Sales. Before charges/gains Operating margin is operating income derived in accordance with GAAP excluding restructuring and other charges, asset impairment charges and for FBHS, standalone corporate costs, business separation costs and the impact of income and expense from actuarial gains or losses associated with our defined benefit plans recorded in the Corporate segment and dividing by GAAP nets sales. 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.

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

FORTUNE BRANDS HOME & SECURITY, INC.

BEFORE CHARGES/GAINS SEGMENT OPERATING MARGIN TO OPERATING MARGIN

(Unaudited)

	Twelve Months Ended December 31, 2016
CABINETS	
Before Charges/Gains Operating Margin	10.8%
Operating Margin	10.8%
PLUMBING	
Before Charges/Gains Operating Margin	21.7%
Restructuring & Other Charges	(0.4%)
Operating Margin	21.3%
DOORS	
Before Charges/Gains Operating Margin	13.2%
Restructuring & Other Charges	(0.1%)
Operating Margin	13.1%
SECURITY	
Before Charges/Gains Operating Margin	14.1%
Restructuring & Other Charges	(2.6%)
Operating Margin	11.5%

2016, 2015, 2014, 2013, 2012 & 2011 DILUTED EPS BEFORE CHARGES/GAINS RECONCILIATION
(Unaudited)

	Twelve Months Ended December 31,					Twelve Months Ended December 31,	
	2016	2015	2014	2013	2012	2011	% Change vs 2016
Earnings Per Common Share - Diluted							
EPS Before Charges/Gains [f]	$ 2.75	$ 2.07	$ 1.74	$ 1.37	$ 0.83	$ 0.57	382
Restructuring and other charges	(0.10)	(0.10)	(0.05)	(0.02)	(0.05)	(0.05)	(100)
Asset impairment charges	-	-	(0.01)	(0.12)	(0.05)	(0.09)	100
Norcraft transaction costs [e]	-	(0.08)	-	-	-	-	-
Tax items	(0.02)	-	0.01	-	0.08	-	-
Defined benefit plan actuarial losses	(0.01)	(0.01)	(0.05)	(0.02)	(0.16)	(0.31)	97
Write off of prepaid debt issuance costs	(0.01)	-	-	-	-	-	-
Adjusted pro forma tax rate adjustment	-	-	-	-	-	(0.07)	100
Capital structure change	-	-	-	-	-	(0.06)	100
Standalone corporate costs	-	-	-	-	-	0.05	(100)
Business separation costs	-	-	-	-	-	(0.01)	100
Diluted EPS - Continuing Operations	$ 2.61	$ 1.88	$ 1.64	$ 1.21	$ 0.65	$ 0.03	-

For the twelve months ended December 31, 2016, 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 $23.2 million ($16.5 million after tax or $0.10 per diluted share) of restructuring and other charges, the impact of the write off of prepaid debt issuance cost of $1.3 million ($0.8 million after tax or $0.01 per diluted share), expense related to tax items of $3.1 million ($0.02 per diluted share), and actuarial losses of $1.9 million ($1.3 million after tax or $0.01 per diluted share).

For the twelve months ended December 31, 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 $22.7 million ($16.3 million after tax or $0.10 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 $2.5 million ($1.6 million after tax or $0.01 per diluted share) and a charge related to a tax item of $0.2 million.

For the twelve months ended December 31, 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 $13.5 million ($8.4 million after tax or $0.05 per diluted share) of restructuring and other charges, a tax benefit resulting from the write off of our investment in an international subsidiary of $1.6 million ($1.6 million after tax or $0.01 per diluted share), an asset impairment charge of $1.6 million ($1.0 million after tax or $0.01 per diluted share) and the impact of expense from actuarial losses associated with our defined benefit plans of $13.7 million ($8.7 million after tax or $0.05 per diluted share).

For the twelve months ended December 31, 2013, 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 $3.7 million ($3.0 million after tax or $0.02 per diluted share) of restructuring and other charges, asset impairment charges of $27.4 million ($20.0 million after tax or $0.12 per diluted share) and the impact of expense from actuarial losses associated with our defined benefit plan of $5.1 million ($3.3 million after tax or $0.02 per diluted share).

For the twelve months ended December 31, 2012, 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 $13.6 million ($8.9 million after tax or $0.05 per diluted share) of restructuring and other charges, asset impairment charges of $13.2 million ($8.1 million after tax or $0.05 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).

For the twelve months ended December 31, 2011, 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 adjusted to reflect the actual number of diluted shares of the Company as of December 31, 2011 of 160.7 million, estimated incremental standalone corporate costs of $13.8 million ($8.6 million after tax or $0.05 per diluted share), an adjusted pro forma effective tax rate adjustment of $12.0 million ($0.07 per share) to reflect an effective tax rate of 35%, capital structure changes that reflect the borrowing arrangements and debt level of the Company as of October 4, 2011 of $14.4 million ($8.9 million after tax or $0.06 per diluted share), and excludes restructuring and other charges of $13.4 million ($8.4 million after tax or $0.05 per diluted share), business separation costs of $2.4 million ($1.7 million after tax or $0.01 per diluted share), asset impairment charges of $24.0 million ($14.6 million after tax or $0.09 per diluted share) pertaining to the impairment of certain indefinite lived trade names and the impact of expense from actuarial losses associated with our defined benefit plans of $80.0 million ($49.9 million after tax or $0.31 per diluted share).

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

Q1 2017 DILUTED EPS BEFORE CHARGES/GAINS RECONCILIATION

For the first quarter of 2017, diluted EPS before charges/gains is net income including the impact from noncontrolling interests calculated on a diluted per-share basis excluding $3.9 million ($2.9 million after tax or $0.01 per diluted share) of restructuring and other charges and asset impairment charges of $3.2 million ($3.2 million after tax or $0.02 per diluted share).

	Three Months Ended March 31, 2017	
Earnings Per Common Share - Diluted		
Diluted EPS Before Charges/Gains [f]	$	0.53
Restructuring and other charges		(0.01)
Asset impairment charges		(0.02)
Diluted EPS (GAAP)	$	0.50

RECONCILIATION OF FULL YEAR 2017 EARNINGS GUIDANCE TO GAAP

The Company is targeting diluted EPS before charges/gains to be in the range of $3.00 to $3.12 per share. For the full year, on a GAAP basis, the Company is targeting diluted EPS to be in the range of $2.96 to $3.08 per share. Reconciliation of non-GAAP diluted EPS guidance to GAAP diluted EPS guidance cannot be provided without unreasonable efforts on a forward-looking basis due to the high variability and low visibility with respect to gains and losses associated with our defined benefit plans and restructuring and other charges, which are excluded from the diluted EPS before charges/gains. In addition, the Company's GAAP EPS range assumes the Company incurs no gains or losses associated with its defined benefit plans.

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

Reconciliation of EBITDA before charges/gains to Income from continuing operations
(Unaudited)

(in millions)

	Twelve Months Ended December 31, 2016	2011	% Change 2016 vs 2011
EBITDA before charges/gains [g]	$ 777	$ 239	225
Depreciation [1]	$ (92)	$ (71)	$ (31)
Amortization of intangible assets	(28)	(10)	(175)
Restructuring and other charges	(23)	(13)	(73)
Business separation costs	-	(2)	100
Related party interest expense, net	-	(23)	100
External interest expense	(49)	(3)	(1,537)
Standalone corporate costs	-	14	(100)
Asset impairment charges	-	(24)	100
Defined benefit plan actuarial losses	(2)	(80)	98
Income taxes	(170)	(21)	(724)
Income from continuing operations, net of tax	$ 412	$ 6	7,264

(1) Depreciation excludes accelerated depreciation expense of $2.5 million for the twelve months ended December 31,2016. Accelerated depreciation expense is included in restructuring and other charges.

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

As of December 31, 2016	
Long-term debt *	1,431.1
Total debt	1,431.1
Less:	
Cash and cash equivalents *	251.5
Net debt (1)	1,179.6
For the twelve months ended December 31, 2016	
EBITDA before charges/gains (2) [g]	776.5
Net debt-to-EBITDA before charges/gains ratio (1/2)	1.5

* Amounts are per the unaudited Condensed Consolidated Balance Sheet as of December 31, 2016

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

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

(Unaudited)

	Twelve Months Ended December 31,					
	2016	**2015**	**2014**	**2013**	**2012**	**2011**
Net Income Before Charges/Gains - Continuing Operations	**$ 434**	**$ 338**	**$ 289**	**$ 234**	**$ 138**	**$ 92**
Restructuring and other charges, net of tax	(17)	(16)	(8)	(3)	(9)	(8)
Asset Impairment charges, net of tax	-	-	(1)	(20)	(8)	(15)
Norcraft transaction costs, net of tax	-	(13)	-	-	-	-
Tax items	(3)	(0)	2	-	13	-
Defined benefit plan actuarial losses, net of tax	(1)	(2)	(9)	(3)	(26)	(50)
Write off of prepaid debt issuance costs, net of tax	(1)	-	-	-	-	-
Adjusted pro forma tax rate adjustment	-	-	-	-	-	(12)
Capital Structure Adjustments, net of tax	-	-	-	-	-	(9)
Standalone Corporate costs, net of tax	-	-	-	-	-	9
Business Separation Costs, net of tax	-	-	-	-	-	(2)
Net Income - Continuing Operations	**$ 412**	**$ 306**	**$ 272**	**$ 208**	**$ 107**	**$ 5**
Discontinued Operations	1	9	(114)	22	11	(40)
Net Income	**$ 413**	**$ 315**	**$ 158**	**$ 230**	**$ 119**	**$ (36)**

Net income before charges/gains is income from continuing operations, net of tax, less noncontrolling interests and excludes restructuring and other charges, asset impairment charges, Norcraft transaction related expenses, tax items, the impact of income and expense from actuarial gains or losses associated with our defined benefit plans and the write off of prepaid debt issuance costs. Net income before charges/gains for the twelve months ended December 31, 2011 have also been adjusted to reflect an adjusted pro forma effective tax rate of 35%, capital structure changes that reflect the borrowing arrangements and debt level of the Company as of October 4, 2011, estimated incremental standalone corporate expenses for the 2011 periods prior to the spin-off of the Company from Fortune Brands, Inc. (the "Separation"), and business separation costs. Net income 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.

Reconciliation of ROIC before charges/gains to ROIC
($ in millions)

	2016			2015			2014		
	Income from continuing operations, net of tax, less noncontrolling interests	Average Invested Capital	ROIC	Income from continuing operations, net of tax, less noncontrolling interests	Average Invested Capital	ROIC	Income from continuing operations, net of tax, less noncontrolling interests	Average Invested Capital	ROIC
Before charges/gains	$ 468 /	$ 3,519 =	13.3%	$ 359 /	$ 3,166 =	11.3%	$ 296 /	$ 2,845 =	10.4%
Restructuring and other charges and other select items	(55)	(54)		(53)	(101)		(24)	(90)	
As reported	$ 412 /	$ 3,465 =	11.9%	$ 306 /	$ 3,064 =	10.0%	$ 272 /	$ 2,754 =	9.9%

	2013			2012			2011		
	Income from continuing operations, net of tax, less noncontrolling interests	Average Invested Capital	ROIC	Income from continuing operations, net of tax, less noncontrolling interests	Average Invested Capital	ROIC	Income from continuing operations, net of tax, less noncontrolling interests	Average Invested Capital	ROIC
Before charges/gains	$ 239 /	$ 2,610 =	9.2%	$ 143 /	$ 2,469 =	5.8%	$ 108 /	$ 2,534 =	4.3%
Restructuring and other charges and other select items	(31)	(34)		(36)	(70)		(104)	(55)	
As reported	$ 208 /	$ 2,576 =	8.1%	$ 107 /	$ 2,400 =	4.5%	$ 5 /	$ 2,480 =	0.2%

Return on Invested Capital - or ROIC - Before Charges/Gains is income from continuing operations, net of tax, less noncontrolling interests plus after-tax interest expense derived in accordance with GAAP excluding any restructuring and other charges and other select items divided by a two point average of GAAP Invested Capital (net debt plus stockholders' equity) excluding any restructuring and other charges and other select items. Restructuring charges are costs incurred to implement significant cost reduction initiatives and include workforce reduction costs. Other charges include 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 at Corporate, other charges incurred represent external costs directly related to the acquisition of Norcraft and primarily include expenditures from banking, legal, accounting and other similar services for the twelve months ended December 31, 2015. In addition, other charges include estimated acquisition related inventory step-up expense in our Plumbing segment for the twelve months ended December 31, 2016 and our Cabinets segment for the twelve months ended December 31, 2015; these charges are classified in cost of products sold. Other select items include asset impairment charges, tax items, the impact of income and expense from actuarial gains or losses associated with our defined benefit plans and the write off of prepaid debt issuance costs. The twelve months ended December 31, 2011 have also been adjusted to reflect an adjusted pro forma effective tax rate of 35%, capital structure changes that reflect the borrowing arrangements and debt level of the Company as of October 4, 2011, estimated incremental standalone corporate expenses for the 2011 periods prior to the spin-off of the Company from Fortune Brands, Inc. (the "Separation"), and business separation costs. ROIC Before Charges/Gains is a measure not derived in accordance with GAAP. Management uses this measure to determine the returns generated by the Company 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 year to year. These measures may be inconsistent with similar measures presented by other companies.

Definitions of Terms: Non-GAAP Measures

(a) Restructuring charges are costs incurred to implement significant cost reduction initiatives and include workforce reduction costs. Other charges include 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 at Corporate, other charges incurred represent external costs directly related to the acquisition of Norcraft and primarily include expenditures from banking, legal, accounting and other similar services for the twelve months ended December 31, 2015. In addition, other charges include estimated acquisition related inventory step-up expense in our Plumbing segment for the twelve months ended December 31, 2016 and our Cabinets segment for the twelve months ended December 31, 2015; these charges are classified in cost of products sold.

(b) The Company estimates that it would have incurred approximately $14 million of incremental corporate expenses if it had functioned as an independent standalone public company for the twelve months ended December 31, 2011.

(c) Business separation costs are costs related to non-cash non-recurring costs associated with the modification of share-based compensation awards as a result of the Separation.

(d) 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, 2016*		*Year Ended December 31, 2015*		*Year Ended December 31, 2014*		*Year Ended December 31, 2013*		*Year Ended December 31, 2012*		*Year Ended December 31, 2011*	
	%	*$*	*%*	*$*	*%*	*$*	*%*	*$*	*%*	*$*	*%*	*$*
Actual return on plan assets	*10.0%*	*$46.6*	*(2.1)%*	*($18.2)*	*9.8%*	*$52.0*	*15.2%*	*$74.6*	*14.5%*	*$63.7*	*(0.6)%*	*($2.7)*
Expected return on plan assets	*6.6%*	*37.2*	*6.8%*	*40.2*	*7.4%*	*42.2*	*7.8%*	*41.8*	*7.8%*	*36.8*	*8.5%*	*41.3*
Discount rate at December 31:												
Pension benefits	*4.3%*		*4.6%*		*4.2%*		*5.0%*		*4.2%*		*4.9%*	
Postretirement benefits	*3.4%*		*4.1%*		*3.5%*		*4.3%*		*3.7%*		*4.6%*	

(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, asset impairment charges, Norcraft transaction related expenses, income tax gains and losses, the impact of income and expense from actuarial gains or losses associated with our defined benefit plans and the write off of prepaid debt issuance costs. Diluted EPS before charges/gains for the twelve months ended December 31, 2011 have also been adjusted to reflect an adjusted pro forma effective tax rate of 35%, capital structure changes that reflect the borrowing arrangements and debt level of the Company as of October 4, 2011, the 1:1 share distribution resulting from the spin-off of the Company from Fortune Brands, Inc. (the "Separation"), estimated incremental standalone corporate expenses for the 2011 periods prior to the Separation, and business separation costs. 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.

(g) EBITDA before charges/gains is income from continuing operations, net of tax, derived in accordance with GAAP including estimated incremental standalone corporate expenses for periods prior to the Separation and excluding restructuring and other charges, business separation costs, 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, related party interest expense, net, external 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.