

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 ended				For the twelve months ended			
	December 31, 2013	December 31, 2012	\$ change	% change	December 31, 2013	December 31, 2012	\$ change	% change
KITCHEN & BATH CABINERY								
Operating income before charges/gains ^(a)	\$ 33.6	\$ 12.3	\$ 21.3	173.2	\$ 120.6	\$ 40.0	\$ 80.6	201.5
Restructuring charges	(0.3)	(1.1)	0.8	72.7	(2.2)	(4.7)	2.5	53.2
Other charges	-	1.1	(1.1)	(100.0)	(0.1)	(8.9)	8.8	98.9
Cost of products sold	-	(5.9)	5.9	100.0	(21.2)	(5.9)	(15.3)	(259.3)
Asset impairment charge	-	-	-	-	-	-	-	-
Operating income (GAAP)	\$ 33.3	\$ 6.4	\$ 26.9	420.3	\$ 97.1	\$ 20.5	\$ 76.6	373.7
PLUMBING & ACCESSORIES								
Operating income before charges/gains ^(a)	\$ 53.5	\$ 41.7	\$ 11.8	28.3	\$ 229.7	\$ 169.2	\$ 60.5	35.8
Restructuring charges	(0.6)	-	(0.6)	(100.0)	(0.6)	-	(0.6)	(100.0)
Other charges	-	-	-	-	-	-	-	-
Cost of products sold	(0.6)	-	(0.6)	(100.0)	(0.6)	-	(0.6)	(100.0)
Selling, general and administrative expenses	(0.2)	-	(0.2)	(100.0)	(0.2)	-	(0.2)	(100.0)
Operating income (GAAP)	\$ 52.1	\$ 41.7	\$ 10.4	24.9	\$ 228.3	\$ 169.2	\$ 59.1	34.9
ADVANCED MATERIAL WINDOWS & DOOR SYSTEMS								
Operating income before charges/gains ^(a)	\$ 5.2	\$ 4.4	\$ 0.8	18.2	\$ 15.8	\$ 4.3	\$ 11.5	267.4
Restructuring charges	(0.6)	0.2	(0.8)	(400.0)	(1.4)	(0.8)	(0.6)	(75.0)
Other charges	-	(0.1)	0.1	100.0	-	3.4	(3.4)	(100.0)
Cost of products sold	-	(9.9)	9.9	100.0	-	(9.9)	9.9	100.0
Asset impairment charges	-	-	-	-	-	-	-	-
Contingent acquisition consideration adjustment	-	-	-	-	-	2.0	(2.0)	(100.0)
Operating income (loss) (GAAP)	\$ 4.6	\$ (5.4)	\$ 10.0	185.2	\$ 14.4	\$ (1.0)	\$ 15.4	1,540.0
SECURITY & STORAGE								
Operating income before charges/gains ^(a)	\$ 22.3	\$ 20.7	\$ 1.6	7.7	\$ 90.4	\$ 74.4	\$ 16.0	21.5
Restructuring charges	-	0.5	(0.5)	(100.0)	-	1.0	(1.0)	(100.0)
Operating income (GAAP)	\$ 22.3	\$ 21.2	\$ 1.1	5.2	\$ 90.4	\$ 75.4	\$ 15.0	19.9
CORPORATE								
Corporate expense before charges/gains ^(a)	\$ (17.3)	\$ (17.9)	\$ 0.6	3.4	\$ (68.0)	\$ (60.2)	\$ (7.8)	(13.0)
Defined benefit plan actuarial losses ^(b)	0.4	(38.5)	38.9	101.0	(5.1)	(42.2)	37.1	87.9
Corporate expense (GAAP)	\$ (16.9)	\$ (56.4)	\$ 39.5	70.0	\$ (73.1)	\$ (102.4)	\$ 29.3	28.6
FORTUNE BRANDS HOME & SECURITY								
Operating income before charges/gains ^(a)	\$ 97.3	\$ 61.2	\$ 36.1	59.0	\$ 388.5	\$ 227.7	\$ 160.8	70.6
Restructuring charges	(1.5)	(0.4)	(1.1)	(275.0)	(4.2)	(4.5)	0.3	6.7
Other charges	-	1.0	(1.6)	(160.0)	(0.7)	(5.5)	4.8	87.3
Cost of products sold	(0.6)	-	(0.2)	(100.0)	(0.2)	-	(0.2)	(100.0)
Selling, general and administrative expenses	(0.2)	(15.8)	15.8	100.0	(21.2)	(15.8)	(5.4)	(34.2)
Asset impairment charges	-	-	-	-	-	2.0	(2.0)	(100.0)
Contingent acquisition consideration adjustment	-	(38.5)	38.9	101.0	(5.1)	(42.2)	37.1	87.9
Defined benefit plan actuarial losses ^(b)	0.4	(38.5)	38.9	101.0	(5.1)	(42.2)	37.1	87.9
Operating income (GAAP)	\$ 95.4	\$ 7.5	\$ 87.9	1,172.0	\$ 357.1	\$ 161.7	\$ 195.4	120.8

(a) Operating income before charges/gains is operating income (loss) derived in accordance with U.S. generally accepted accounting principles ("GAAP") excluding restructuring and other charges, asset impairment 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 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) 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 (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		Year Ended	
	December 31, 2013		December 31, 2012	
	%	\$	%	\$
Actual return on plan assets	15.2%	\$74.6	14.5%	\$63.7
Expected return on plan assets	7.8%	41.8	7.8%	36.8
Discount rate at December 31:				
Pension benefits	5.0%		4.2%	
Postretirement benefits	4.3%		3.7%	

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, 2014	December 31, 2013	% change
Diluted EPS before charges/gains - full year range	\$1.91 - \$2.01	\$ 1.50	
Diluted EPS before charges/gains^(a)	\$ 1.96	\$ 1.50	30.7
Restructuring and other charges ^(b)	-	(0.02)	
Asset impairment charges	-	(0.12)	
Defined benefit plan actuarial losses	-	(0.02)	
Diluted EPS (GAAP)	\$ 1.96	\$ 1.34	46.3

(a) For the twelve months ended December 31, 2013, diluted EPS before charges/gains is net income calculated on a diluted per-share basis excluding \$5.1 million (\$3.6 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).

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) 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 and accelerated depreciation resulting from the closure of facilities and gains or losses associated with the sale of closed facilities.

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

KITCHEN & BATH CABINETS

	Three Months Ended December 31,			Twelve Months Ended December 31,		
	2013	2012	Change	2013	2012	Change
Before Charges/Gains Operating Margin	7.4%	3.7%	370 bps	7.3%	3.0%	430 bps
Restructuring & Other Charges	(0.1%)	-		(0.1%)	(1.0%)	
Asset Impairment Charge	-	(1.8%)		(1.3%)	(0.5%)	
GAAP Operating Margin	7.3%	1.9%	540 bps	5.9%	1.5%	440 bps

PLUMBING & ACCESSORIES

	Three Months Ended December 31,			Twelve Months Ended December 31,		
	2013	2012	Change	2013	2012	Change
Before Charges/Gains Operating Margin	16.9%	14.1%	280 bps	17.8%	15.3%	250 bps
Restructuring & Other Charges	(0.5%)	-		(0.1%)	-	
GAAP Operating Margin	16.4%	14.1%	230 bps	17.7%	15.3%	240 bps

ADVANCED MATERIAL WINDOWS & DOOR SYSTEMS

	Three Months Ended December 31,			Twelve Months Ended December 31,		
	2013	2012	Change	2013	2012	Change
Before Charges/Gains Operating Margin	3.0%	2.8%	20 bps	2.4%	0.7%	170 bps
Asset Impairment	-	(6.4%)		-	(1.7%)	
Restructuring & Other Charges	(0.4%)	0.1%		(0.2%)	0.4%	
Contingent acquisition consideration adjustment	-	-		-	0.4%	
GAAP Operating Margin	2.6%	(3.5%)	610 bps	2.2%	(0.2%)	240 bps

Before charges/gains operating margin is operating margin derived in accordance with GAAP excluding restructuring and other charges, asset impairment charges and income from a contingent acquisition consideration adjustment. 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 NET SALES (GAAP) EXCLUDING WOODCRAFTERS
(Unaudited)

**Three Months Ended
December 31, 2013**

Kitchen & Bath Cabinetry

Kitchen & Bath Cabinetry Net Sales (GAAP)

WoodCrafters Net Sales (GAAP)

Net Sales (GAAP) Excluding WoodCrafters

Change
34%
16%
18%

Net sales excluding WoodCrafters is net sales derived in accordance with GAAP excluding WoodCrafters GAAP net sales. 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.

2013 & 2011 DILUTED EPS BEFORE CHARGES/GAINS RECONCILIATION

Diluted EPS before charges/gains is net income (loss) calculated on a diluted per-share basis 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. 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.

For the twelve months ended December 31, 2013, diluted EPS before charges/gains is net income calculated on a diluted per-share basis excluding \$5.1 million (\$3.6 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 year ended December 31, 2011, diluted EPS before charges/gains is net income (loss) 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 \$20.0 million (\$12.5 million after tax or \$0.08 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 \$90.0 million (\$55.3 million after tax or \$0.34 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).

Earnings Per Common Share - Diluted EPS Before Charges/Gains

Restructuring and other charges
Standalone corporate costs
Capital structure change
Business separation costs
Adjusted pro forma tax rate adjustment
Asset impairment charges
Defined benefit plan actuarial losses
Impact of anti-dilution

Diluted EPS (GAAP)

Twelve Months Ended December 31,		
2013	2011	% Change
\$ 1.50	\$ 0.60	150.0
(0.02)	(0.08)	75.0
-	0.05	(100.0)
-	(0.06)	100.0
-	(0.01)	100.0
-	(0.07)	100.0
(0.12)	(0.34)	64.7
(0.02)	(0.31)	93.5
-	(0.01)	100.0
\$ 1.34	\$ (0.23)	682.6

FORTUNE BRANDS HOME & SECURITY, INC.
RECONCILIATION OF 2013 & 2011 GAAP NET INCOME (LOSS) TO EBITDA BEFORE
CHARGES/GAINS
(Unaudited)

	Twelve Months Ended December 31,		
	2013	2011	% Change
Net Income (Loss)	\$ 230.9	\$ (34.6)	767.3
Depreciation ^(a)	\$ 77.4	\$ 85.6	(9.6)
Amortization of intangible assets	13.2	14.4	(8.3)
Restructuring and other charges	5.1	20.0	(74.5)
Business separation costs	-	2.4	(100.0)
Related party interest expense, net	-	23.2	(100.0)
External Interest expense	7.2	3.2	125.0
Standalone corporate expenses	-	(13.8)	100.0
Asset impairment charges	27.4	90.0	(69.6)
Defined benefit plan actuarial losses	5.1	80.0	(93.6)
Income taxes (benefit)	114.0	(9.0)	1,366.7
EBITDA BEFORE CHARGES/GAINS ^(b)	\$ 480.3	\$ 261.4	83.7

(a) Depreciation excludes accelerated depreciation of \$(0.2) million and \$11.5 million for the twelve months ended December 31, 2013 and December 31, 2011, respectively. Accelerated depreciation is included in restructuring and other charges.

(b) EBITDA before charges/gains is net income (loss) derived in accordance with GAAP including estimated incremental standalone corporate expenses for 2011 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.