

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, 2015	December 31, 2014	\$ change	% change	December 31, 2015	December 31, 2014	\$ change	% change
CABINETS								
Operating income before charges/gains ^(a)	\$ 61.1	\$ 35.5	\$ 25.6	72	\$ 195.7	\$ 138.3	\$ 57.4	42
Restructuring charges ^(b)	(0.6)	(0.1)	(0.5)	(500)	(1.2)	(0.4)	(0.8)	(200)
Other charges ^(b)								
Cost of products sold	(0.2)	-	(0.2)	(100)	(2.1)	-	(2.1)	(100)
Operating income (GAAP)	\$ 60.3	\$ 35.4	\$ 24.9	70	\$ 192.4	\$ 137.9	\$ 54.5	40
PLUMBING								
Operating income before charges/gains ^(a)	\$ 71.1	\$ 58.9	\$ 12.2	21	\$ 292.5	\$ 260.2	\$ 32.3	12
Restructuring charges ^(b)	(0.1)	(1.7)	1.6	94	(6.4)	(0.5)	(5.9)	(1,180)
Other charges ^(b)								
Cost of products sold	-	(0.4)	0.4	100	(0.1)	(0.2)	0.1	50
Selling, general and administrative expenses	(0.2)	(0.5)	0.3	60	(0.6)	(0.6)	-	-
Operating income (GAAP)	\$ 70.8	\$ 56.3	\$ 14.5	26	\$ 285.4	\$ 258.9	\$ 26.5	10
DOORS								
Operating income before charges/gains ^(a)	\$ 13.3	\$ 7.5	\$ 5.8	77	\$ 44.0	\$ 29.2	\$ 14.8	51
Operating income (GAAP)	\$ 13.3	\$ 7.5	\$ 5.8	77	\$ 44.0	\$ 29.2	\$ 14.8	51
SECURITY								
Operating income before charges/gains ^(a)	\$ 18.7	\$ 15.4	\$ 3.3	21	\$ 69.3	\$ 59.2	\$ 10.1	17
Restructuring charges ^(b)	(3.3)	(3.7)	0.4	11	(8.1)	(4.1)	(4.0)	(98)
Other charges ^(b)								
Cost of products sold	(2.6)	(5.7)	3.1	54	(5.3)	(5.7)	0.4	7
Operating income (GAAP)	\$ 12.8	\$ 6.0	\$ 6.8	113	\$ 55.9	\$ 49.4	\$ 6.5	13
CORPORATE								
General and administrative expense before charges/gains	\$ (18.5)	\$ (15.8)	\$ (2.7)	(17)	\$ (69.2)	\$ (65.0)	\$ (4.2)	(6)
Defined benefit plan income before actuarial gains/(losses)	1.3	2.2	(0.9)	(41)	6.1	8.8	(2.7)	(31)
Total Corporate expense before charges/gains	\$ (17.2)	\$ (13.6)	\$ 3.6	(26)	\$ (63.1)	\$ (56.2)	\$ 6.9	(12)
General and administrative expense before charges/gains	\$ (18.5)	\$ (15.8)	\$ (2.7)	(17)	\$ (69.2)	\$ (65.0)	\$ (4.2)	(6)
Restructuring charges ^(b)	-	(0.4)	0.4	100	(0.9)	(2.0)	1.1	55
Other charges ^(b)								
Cost of products sold	-	-	-	-	-	-	-	-
Selling, general and administrative expenses	-	-	-	-	(15.1)	-	-	(100)
General and administrative expense (GAAP)	(18.5)	(16.2)	(2.3)	(14)	(85.2)	(67.0)	(18.2)	(27)
Defined benefit plan income before actuarial gains/(losses)	1.3	2.2	-	(41)	6.1	8.8	-	(31)
Defined benefit plan actuarial gains/(losses) ^(c)	0.3	(12.0)	12.3	103	(2.5)	(13.7)	11.2	82
Defined benefit plan income/(expense) (GAAP)	1.6	(9.8)	11.4	116	3.6	(4.9)	8.5	173
Total Corporate expense (GAAP)	\$ (16.9)	\$ (26.0)	\$ 9.1	35	\$ (81.6)	\$ (71.9)	\$ 9.7	(13)
FORTUNE BRANDS HOME & SECURITY								
Operating income before charges/gains ^(a)	\$ 147.0	\$ 103.7	\$ 43.3	42	\$ 538.4	\$ 430.7	\$ 107.7	25
Restructuring charges ^(b)	(4.0)	(5.9)	1.9	32	(16.6)	(7.0)	(9.6)	(137)
Other charges ^(b)								
Cost of products sold	(2.8)	(6.1)	3.3	54	(7.5)	(5.9)	(1.6)	(27)
Selling, general and administrative expenses	(0.2)	(0.5)	0.3	60	(15.7)	(0.6)	(15.1)	(2,517)
Defined benefit plan actuarial gains/(losses) ^(c)	0.3	(12.0)	12.3	103	(2.5)	(13.7)	11.2	82
Operating income (GAAP)	\$ 140.3	\$ 79.2	\$ 61.1	77	\$ 496.1	\$ 403.5	\$ 92.6	23

(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,		
	2015	2014	Change	2015	2014	Change
CABINETS						
Before Charges/Gains Operating Margin	10.0%	7.8%	220 bps	9.0%	7.7%	130 bps
Restructuring & Other Charges	(0.1%)	-		(0.2%)	-	
GAAP Operating Margin	10.0%	7.8%	220 bps	8.9%	7.7%	120 bps
PLUMBING						
Before Charges/Gains Operating Margin	19.8%	17.6%	220 bps	20.7%	19.5%	120 bps
Restructuring & Other Charges	(0.1%)	(0.9%)		(0.4%)	(0.1%)	
GAAP Operating Margin	19.7%	16.8%	290 bps	20.2%	19.5%	70 bps
DOORS						
Before Charges/Gains Operating Margin	11.6%	6.9%	470 bps	10.0%	7.1%	290 bps
GAAP Operating Margin	11.6%	6.9%	470 bps	10.0%	7.1%	290 bps
SECURITY						
Before Charges/Gains Operating Margin	13.0%	11.1%	190 bps	12.5%	12.3%	20 bps
Restructuring & Other Charges	(4.1%)	6.8%		(2.4%)	(2.0%)	
GAAP Operating Margin	8.9%	4.3%	460 bps	10.1%	10.3%	(20) bps
FBHS						
Before Charges/Gains Operating Margin	12.0%	10.0%	200 bps	11.8%	10.7%	110 bps
Restructuring & Other Charges	(0.6%)	(1.2%)		(0.5%)	(0.3%)	
Norcraft transaction costs ^(e)	-	-		(0.4%)	-	
Defined benefit plan actuarial losses	-	(1.2%)		(0.1%)	(0.3%)	
GAAP Operating Margin	11.5%	7.6%	390 bps	10.8%	10.1%	70 bps

Before charges/gains operating margin is operating margin derived in accordance with GAAP excluding restructuring and other charges, Norcraft transaction costs and the impact of expense from actuarial losses associated with our defined benefit plans. 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.

RECONCILIATION OF INCOME FROM CONTINUING OPERATIONS TO EBITDA BEFORE CHARGES/GAINS

	Twelve Months Ended December 31, 2015
Income from continuing operations, net of tax	306.5
Depreciation	93.5
Amortization of intangible assets	21.6
Restructuring and other charges	22.7
Interest expense	31.9
Norcraft transaction costs ^(e)	17.1
Defined benefit plan actuarial losses	2.5
Income taxes	153.4
EBITDA BEFORE CHARGES/GAINS ^(d)	649.2

CALCULATION OF NET DEBT-TO-EBITDA BEFORE CHARGES/GAINS RATIO*(in millions)***As of December 31, 2015**

Notes payable to banks (a)	0.8
Long-term debt (a)	1,171.6
Total debt	1,172.4
Less:	
Cash and cash equivalents (a)	238.5
Net debt (1)	933.9

For the twelve months ended December 31, 2015

EBITDA before charges/gains (2) ^(d)	649.2
Net debt-to-EBITDA before charges/gains ratio (1)/(2)	1.4

(a) Amounts are per the unaudited Condensed Consolidated Balance Sheet as of December 31, 2015.

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

DILUTED EPS BEFORE CHARGES/GAINS RECONCILIATION

For the fourth quarter of 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 \$7.0 million (\$4.6 million after tax or \$0.03 per diluted share) of net restructuring and other charges, the impact of income from actuarial gains associated with our defined benefit plans of \$0.3 million (\$0.2 million after tax) and a benefit related to a tax item of \$0.9 million (\$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 fourth quarter of 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 \$12.5 million (\$8.2 million after tax or \$0.05 per diluted share) of net 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 \$12.0 million (\$7.6 million after tax or \$0.04 per diluted share).

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).

	Three Months Ended December 31,			Twelve Months Ended December 31,		
	2015	2014	% Change	2015	2014	% Change
Earnings Per Common Share - Diluted						
Diluted EPS Before Charges/Gains ^(f)	\$ 0.56	\$ 0.44	27	\$ 2.07	\$ 1.74	19
Restructuring and other charges	(0.03)	(0.05)	40	(0.10)	(0.05)	(100)
Asset impairment charges	-	(0.01)	100	-	(0.01)	100
Norcraft transaction costs ^(e)	-	-	-	(0.08)	-	-
Defined benefit plan actuarial gains/(losses)	-	(0.04)	100	(0.01)	(0.05)	80
Tax item	0.01	0.01	-	-	0.01	(100)
Diluted EPS - Continuing Operations	\$ 0.54	\$ 0.35	54	\$ 1.88	\$ 1.64	15

RECONCILIATION OF FULL YEAR 2016 EARNINGS GUIDANCE TO GAAP

For the full year, the Company is targeting diluted EPS before charges/gains from continuing operations to be in the range of \$2.42 to \$2.52 per share. On a GAAP basis, the Company is targeting diluted EPS from continuing operations to be in the range of \$2.38 to \$2.48 per share. The Company's GAAP basis EPS range assumes the Company incurs no actuarial gains or losses associated with its defined benefit plans.

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

FORTUNE BRANDS HOME & SECURITY, INC.

RECONCILIATION OF PERCENTAGE CHANGE IN NET SALES EXCLUDING THE IMPACT OF CURRENCY IN Q4 2015 TO PERCENTAGE CHANGE IN NET SALES (GAAP)

(Unaudited)

PLUMBING

Percentage change in Net Sales excluding the impact of currency in Q4 2015

Impact of currency in Q4 2015

Percentage change in Net Sales (GAAP)

Three months ended December 31, 2015
% change

10%
(3%)
7%

Net sales excluding the impact of currency in Q4 2015 is net sales derived in accordance with GAAP excluding the impact of currency in Q4 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.

RECONCILIATION OF PERCENTAGE CHANGE IN NET SALES EXCLUDING THE EXITING OF LOWER MARGIN BUSINESS IN Q4 2015 TO PERCENTAGE CHANGE IN NET SALES (GAAP)

(Unaudited)

DOORS

Percentage change in Net Sales excluding the exit of lower margin business in Q4 2015

Impact of exit of lower margin business

Percentage change in Net Sales (GAAP)

Three months ended December 31, 2015
7%
(2%)
5%

Net sales excluding the exit of lower margin business in Q4 2015 is net sales derived in accordance with GAAP excluding the impact of exit of lower margin business. 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.
RECONCILIATION OF OPERATING INCOME BEFORE CHARGES/GAINS EXCLUDING NORCRAFT AND
THE IMPACT OF CURRENCY TO GAAP OPERATING INCOME**

**(In millions)
(Unaudited)**

**Twelve Months Ended
December 31, 2015**

Cabinets

Operating Income Before Charges/Gains Excluding Norcraft & the impact of currency in 2015

Norcraft Operating Income before Charges/Gains
Impact of currency in 2015

Operating Income Before Charges/Gains

Restructuring & Other Charges

Operating Income (GAAP)

% Change
19%
22%
1%
42%
(2%)
40%

Operating income before charges/gains excluding Norcraft and the impact of currency in 2015 is operating income derived in accordance with GAAP excluding restructuring and other charges, Norcraft operating income and the impact of currency. Operating income before charges/gains excluding Norcraft and the impact of currency 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 THE PERCENTAGE CHANGE IN NET SALES EXCLUDING NORCRAFT AND THE
IMPACT OF CURRENCY TO PERCENTAGE CHANGE IN NET SALES (GAAP)**

**(In millions)
(Unaudited)**

**Twelve Months Ended
December 31, 2015**

Cabinets

Percentage change in Net Sales Excluding Norcraft and the impact of currency

Norcraft Net Sales
Impact of currency in 2015

Percentage change in Net Sales (GAAP)

% Change
8%
14%
(1%)
22%

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

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, Norcraft transaction related expenses 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 costs may include losses on disposal of inventories, trade receivables allowances from exiting product lines, accelerated depreciation resulting from the closure of facilities, and gains or losses on the sale of previously closed facilities. For the Cabinets segment, other charges represent the Norcraft purchase accounting impact of expense related to our estimated inventory step up. For Corporate, other charges represents external costs directly related to the acquisition of Norcraft and primarily include expenditures for banking, legal, accounting and other similar services.

(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, 2015		Year Ended December 31, 2014	
	%	\$	%	\$
Actual return on plan assets	(2.1)%	(\$18.2)	9.8%	\$52.0
Expected return on plan assets	6.8%	40.2	7.4%	42.2
Discount rate at December 31:				
Pension benefits	4.6%		4.2%	
Postretirement benefits	4.1%		3.5%	

(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, Norcraft transaction related expenses, 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, 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.

(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, Norcraft transaction related expenses, and the impact of income, a tax item and expense from actuarial gains or losses associated with our defined benefit plans. 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.