

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

NON-GAAP FINANCIAL MEASURES

This report contains non-GAAP financial measures within the meaning of Regulation G promulgated by the Securities and Exchange Commission and includes a reconciliation of these non-GAAP financial measures to the most directly comparable financial measures calculated in accordance with GAAP. While the company believes that these non-GAAP financial measures are useful in evaluating the company's performance, this information should be considered as supplemental in nature and not as a substitute for or superior to the related financial information prepared in accordance with GAAP. Additionally, these non-GAAP financial measures may differ from similar measures presented by the other companies.

TOTAL COMPANY CORE SALES

Years Ended December 31, 2014, 2013 and 2012

(\$ amounts in millions)

	AS REPORTED			CORE SALES ⁽¹⁾					YEAR-OVER-YEAR INCREASE (DECREASE)					
	Current Year	Prior Year	Increase	Current Year	Prior Year	Increase	Acquisitions	Incr. Excl. Acquisitions	Currency Impact	Excluding Currency	Including Currency	Currency Impact	Acquisitions	Core Sales Growth ⁽¹⁾
2014 Sales	\$5,727.0	\$5,607.0	\$120.0	\$5,848.5	\$5,613.2	\$235.3	\$68.9	\$166.4	\$(115.3)	4.2%	2.1%	(2.1)%	1.2%	3.0%
2013 Sales	\$5,607.0	\$5,508.5	\$ 98.5	\$5,677.5	\$5,512.6	\$164.9	\$ —	\$164.9	\$ (66.4)	3.0%	1.8%	(1.2)%	0.0%	3.0%
2012 Sales	\$5,508.5	\$5,451.5	\$ 57.0	\$5,598.5	\$5,450.6	\$147.9	\$ —	\$147.9	\$ (90.9)	2.7%	1.0%	(1.7)%	0.0%	2.7%

WIN BIGGER CORE SALES

Year Ended December 31, 2014

(\$ amounts in millions)

	AS REPORTED			CORE SALES ⁽¹⁾			YEAR-OVER-YEAR INCREASE (DECREASE)			
	2014	2013	Increase	2014	2013	Increase	Currency Impact	Excluding Currency	Including Currency	Currency Impact
Writing	\$1,708.9	\$1,653.6	\$ 55.3	\$1,785.4	\$1,656.1	\$129.3	\$(74.0)	7.8%	3.3%	(4.5)%
Commercial Products	837.1	785.9	51.2	842.7	786.4	56.3	(5.1)	7.2%	6.5%	(0.7)%
Tools	852.2	817.9	34.3	871.4	820.1	51.3	(17.0)	6.3%	4.2%	(2.1)%
Total	\$3,398.2	\$3,257.4	\$140.8	\$3,499.5	\$3,262.6	\$236.9	\$(96.1)	7.3%	4.3%	(3.0)%

(1) "Core Sales" is determined by applying a fixed exchange rate, calculated as the 12-month average in the prior year, to the current and prior year local currency sales amounts, with the difference between the change in "As Reported" sales and the change in "Core Sales" reported in the table as "Currency Impact." Core Sales Growth excludes the impact of currency and acquisitions.

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

NORMALIZED GROSS MARGIN

Years Ended December 31, 2014 and 2013

(\$ amounts in millions)

	2014	2013
Net sales	\$5,727.0	\$5,607.0
Gross margin, as reported	\$2,203.4	\$2,124.9
Product recall costs	12.0	—
Restructuring-related costs	2.1	1.1
Venezuela inventory charges	5.2	—
Normalized gross margin	<u>\$2,222.7</u>	<u>\$2,126.0</u>
Normalize gross margin (% of sales)	<u>38.8%</u>	<u>37.9%</u>
Change-basis points	<u>90</u>	

NORMALIZED OPERATING MARGIN

Years Ended December 31, 2014, 2013 and 2012

(\$ amounts in millions)

	2014	2013	2012
Net sales	\$5,727.0	\$5,607.0	\$5,508.5
Operating income, as reported	\$ 604.7	\$ 615.1	\$ 637.7
Restructuring costs	52.8	110.3	52.9
Restructuring-related costs	33.8	24.9	34.5
Product recall costs	15.0	—	—
Venezuela inventory charges	5.2	—	—
Advisory costs	10.2	—	—
Acquisition & integration costs	5.5	—	—
Pension settlement charge	65.4	—	—
Normalized operating income	<u>\$ 792.6</u>	<u>\$ 750.3</u>	<u>\$ 725.1</u>
Normalized operating margin	<u>13.8%</u>	<u>13.4%</u>	<u>13.2%</u>
Change-basis points	<u>40</u>		

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

SEGMENT NORMALIZED OPERATING INCOME

Year Ended December 31, 2014

(\$ amounts in millions)

	Writing	Home Solutions	Tools	Commercial Products	Baby & Parenting	Restructuring Costs	Corporate	Total
Net sales	\$1,708.9	\$1,575.4	\$852.2	\$837.1	\$753.4	\$ —	\$ —	\$5,727.0
Operating income, as reported	\$ 416.6	\$ 196.0	\$ 94.6	\$101.3	\$ 40.6	\$(52.8)	\$(191.6)	\$ 604.7
Restructuring costs ⁽¹⁾	—	—	—	—	—	52.8	—	52.8
Restructuring-related costs ⁽¹⁾	—	—	1.7	0.4	—	—	31.7	33.8
Product recall costs ⁽²⁾	—	—	—	—	15.0	—	—	15.0
Venezuela inventory charges ⁽³⁾	5.2	—	—	—	—	—	—	5.2
Advisory costs ⁽¹⁾	—	—	—	—	—	—	10.2	10.2
Acquisition & integration costs ⁽⁴⁾	—	4.2	—	—	1.3	—	—	5.5
Pension settlement charge ⁽⁵⁾	—	—	—	—	—	—	65.4	65.4
Normalized operating income	\$ 421.8	\$ 200.2	\$ 96.3	\$101.7	\$ 56.9	\$ —	\$ (84.3)	\$ 792.6
Normalized operating margin	24.7%	12.7%	11.3%	12.1%	7.6%			13.8%

(1) Excluded items consist of organizational change implementation, restructuring-related and restructuring costs. Organizational change implementation and restructuring-related costs of \$33.8 million and restructuring costs of \$52.8 million incurred during 2014 relate to Project Renewal. Excluded items also include \$10.2 million of advisory costs for process transformation and optimization.

(2) Baby & Parenting normalized operating income for 2014 excludes charges of \$15.0 million relating to the Graco product recall.

(3) Writing normalized operating income for 2014 excludes charges of \$5.2 million associated with Venezuelan inventory resulting from changes in the exchange rate for the Venezuelan Bolivar.

(4) Home Solutions normalized operating income for 2014 excludes \$4.2 million of acquisition and integration charges associated with the acquisitions of Ignite Holdings, LLC and bubba brands, and Baby & Parenting normalized income for 2014 excludes \$1.3 million of costs associated with the acquisition of Baby Jogger.

(5) Normalized income for 2014 excludes \$65.4 million of settlement charges associated with the settlement of U.S. pension liabilities.

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

EMEA NORMALIZED OPERATING MARGIN

Years Ended December 31, 2014 and 2013

(\$ amounts in millions)

	2014	2013
Net sales	\$683.5	\$698.2
Operating income, as reported	\$82.0	\$(15.7)
Restructuring costs	13.7	69.9
Restructuring-related costs	4.6	8.0
Normalized operating income	<u>\$100.3</u>	<u>\$ 62.2</u>
Normalized operating margin	<u>14.7%</u>	<u>8.9%</u>
Change-basis points	<u>580</u>	

NORMALIZED EARNINGS PER SHARE

Years Ended December 31, 2014, 2013 and 2012

	2014	2013	2012
Diluted EPS, as reported	\$ 1.35	\$ 1.63	\$ 1.37
Restructuring & restructuring-related costs	0.25	0.39	0.23
Product recall costs	0.03	—	—
Venezuela devaluation	0.11	0.02	—
Venezuela inventory charges	0.02	—	—
Advisory costs	0.02	—	—
Acquisition & integration costs	0.01	—	—
Pension settlement charge	0.15	—	—
Losses on extinguishment of debt	0.08	—	0.02
Nonrecurring tax items	(0.01)	(0.03)	0.08
Discontinued operations	(0.02)	(0.20)	(0.04)
Normalized EPS*	<u>\$ 2.00</u>	<u>\$ 1.82</u>	<u>\$ 1.67</u>
% Increase	<u>9.9%</u>		

* Totals may not add due to rounding.