

SEALED AIR CORP/DE
Form 10-Q
August 01, 2016

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2016

Or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 1-12139

SEALED AIR CORPORATION

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

65-0654331
(I.R.S. Employer
Identification Number)
28273

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8215 Forest Point Boulevard

Charlotte, North Carolina

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (980) 221-3235

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

There were 196,702,964 shares of the registrant's common stock, par value \$0.10 per share, issued and outstanding as of July 27, 2016.

	Page
PART I. FINANCIAL INFORMATION	
<u>Condensed Consolidated Balance Sheets — June 30, 2016 and December 31, 2015</u>	5
<u>Condensed Consolidated Statements of Operations for the Three and Six Months Ended June 30, 2016 and 2015</u>	6
<u>Condensed Consolidated Statements of Comprehensive Income for the Three and Six Months Ended June 30, 2016 and 2015</u>	7
<u>Condensed Consolidated Statements of Cash Flows for the Six Months Ended June 30, 2016 and 2015</u>	8
<u>Notes to Condensed Consolidated Financial Statements</u>	9
<u>Note 1 Organization and Basis of Presentation</u>	9
<u>Note 2 Recently Issued Accounting Standards</u>	11
<u>Note 3 Divestitures</u>	13
<u>Note 4 Segments</u>	14
<u>Note 5 Inventories and Cost of Sales</u>	17
<u>Note 6 Property Plant and Equipment, net</u>	18
<u>Note 7 Goodwill and Identifiable Assets</u>	18
<u>Note 8 Accounts Receivable Securitization Programs</u>	19
<u>Note 9 Restructuring and Relocation Activities</u>	20
<u>Note 10 Debt and Credit Facilities</u>	22
<u>Note 11 Derivatives and Hedging Activities</u>	23
<u>Note 12 Fair Value Measurements and Other Financial Instruments</u>	26
<u>Note 13 Defined Benefit Pension Plans and Other Post-Employment Benefit Plans</u>	29
<u>Note 14 Income Taxes</u>	30
<u>Note 15 Commitments and Contingencies</u>	30
<u>Note 16 Stockholders' Equity</u>	31
<u>Note 17 Accumulated Other Comprehensive Income (Loss)</u>	34
<u>Note 18 Other Income, net</u>	35
<u>Note 19 Net Earnings Per Common Share</u>	36
<u>Item 2. Management's Discussion and Analysis of Financial Condition And Results of Operation</u>	37
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	59
<u>Item 4. Controls and Procedures</u>	61
PART II. OTHER INFORMATION	
<u>Item 1. Legal Proceedings</u>	62
<u>Item 1A. Risk Factors</u>	62
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	63
<u>Item 6. Exhibits</u>	64
<u>Signature</u>	65

Cautionary Notice Regarding Forward-Looking Statements

This report contains “forward-looking statements” within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 concerning our business, consolidated financial condition and results of operations. The Securities and Exchange Commission (“SEC”) encourages companies to disclose forward-looking statements so that investors can better understand a company’s future prospects and make informed investment decisions. Forward-looking statements are subject to risks and uncertainties, many of which are outside our control, which could cause actual results to differ materially from these statements. Therefore, you should not rely on any of these forward-looking statements. Forward-looking statements can be identified by such words as “anticipates,” “believes,” “plan,” “assumes,” “could,” “should,” “estimates,” “expects,” “intends,” “potential,” “seek,” “predict,” “may,” “will,” and other similar references to future periods. All statements other than statements of historical facts included in this report regarding our strategies, prospects, financial condition, operations, costs, plans and objectives are forward-looking statements. Examples of forward-looking statements include, among others, statements we make regarding expected future operating results, expectations regarding the results of restructuring and other programs, anticipated levels of capital expenditures and expectations of the effect on our financial condition of claims, litigation, environmental costs, contingent liabilities and governmental and regulatory investigations and proceedings.

The following are important factors that we believe could cause actual results to differ materially from those in our forward-looking statements: the tax benefits associated with the Settlement agreement (as defined in our Annual Report on Form 10-K for the year ended December 31, 2015), global economic and political conditions, changes in our credit ratings, changes in raw material pricing and availability, changes in energy costs, competitive conditions, success of our restructuring activities, currency translation and devaluation effects, the success of our financial growth, profitability, cash generation and manufacturing strategies and our cost reduction and productivity efforts, the success of new product offerings, the effects of animal and food-related health issues, pandemics, consumer preferences, environmental matters, regulatory actions and legal matters, and the other information referenced in Part I, Item IA, “Risk Factors”, of our Annual Report on Form 10-K for the year ended December 31, 2015 as filed with the Securities and Exchange Commission, and as revised and updated by our Quarterly Reports on Form 10-Q and Current Reports on Form 8-K. Any forward-looking statement made by us in this report is based only on information currently available to us and speaks only as of the date on which it is made. We undertake no obligation to publicly update any forward-looking statement, whether written or oral, that may be made from time to time, whether as a result of new information, future developments or otherwise.

Non-U.S. GAAP Information

We present financial information that conforms to Generally Accepted Accounting Principles in the United States of America (“U.S. GAAP”). We also present financial information that does not conform to U.S. GAAP, which we refer to as non-U.S. GAAP, as our management believes it is useful to investors. In addition, non-U.S. GAAP measures are used by management to review and analyze our operating performance and, along with other data, as internal measures for setting annual budgets and forecasts, assessing financial performance, providing guidance and comparing our financial performance with our peers. The non-U.S. GAAP information has limitations as an analytical tool and should not be considered in isolation from or as a substitute for U.S. GAAP information. It does not purport to represent any similarly titled U.S. GAAP information and is not an indicator of our performance under U.S. GAAP. Non-U.S. GAAP financial measures that we present may not be comparable with similarly titled measures used by others. Investors are cautioned against placing undue reliance on these non-U.S. GAAP measures. Further, investors are urged to review and consider carefully the adjustments made by management to the most directly comparable U.S. GAAP financial measure to arrive at these non-U.S. GAAP financial measures. See Note 4, “Segments” and our Management’s Discussion and Analysis of Financial Condition and Results of Operations (“MD&A”) for reconciliations of our non-U.S. GAAP financial measures to U.S. GAAP.

Our management may assess our financial results both on a U.S. GAAP basis and on a non-U.S. GAAP basis. Non-U.S. GAAP financial measures provide management with additional means to understand and evaluate the core operating results and trends in our ongoing business by eliminating certain one-time expenses and/or gains (which may not occur in each period presented) and other items that management believes might otherwise make comparisons of our ongoing business with prior periods and peers more difficult, obscure trends in ongoing operations or reduce management's ability to make useful forecasts.

Our non-U.S. GAAP financial measures may also be considered in calculations of our performance measures set by the Organization and Compensation Committee of our Board of Directors for purposes of determining incentive compensation. The non-U.S. GAAP financial metrics mentioned above exclude items that we consider as unusual or special items. We evaluate unusual or special items on an individual basis. Our evaluation of whether to exclude an unusual or special item for purposes of determining our non-U.S. GAAP financial measures considers both the quantitative and qualitative aspects of the item, including among other things (i) its nature, (ii) whether or not it relates to our ongoing business operations, and (iii) whether or not we expect it to occur as part of our normal business on a regular basis.

We also present our adjusted income tax rate or provision (“Adjusted Tax Rate”). The Adjusted Tax Rate is a Non-U.S. GAAP measure of our U.S. GAAP effective tax rate, adjusted to exclude the tax impact from the special items that are excluded from our Adjusted Net Earnings and Adjusted EPS metrics as well as expense or benefit from any special taxes or tax benefits. The Adjusted Tax Rate is an indicator of the taxes on our core business. The tax situation and effective tax rate in the specific countries where the excluded or special items occur will determine the impact (positive or negative) to the Adjusted Tax Rate.

In our “Net Sales by Geographic Region,” “Components of Change in Net Sales by Segment” and in some of the discussions and tables that follow, we exclude the impact of foreign currency translation when presenting net sales information, which we define as “constant dollar.” Changes in net sales excluding the impact of foreign currency translation are non-U.S. GAAP financial measures. As a worldwide business, it is important that we take into account the effects of foreign currency translation when we view our results and plan our strategies. Nonetheless, we cannot control changes in foreign currency exchange rates. Consequently, when our management looks at our financial results to measure the core performance of our business, we may exclude the impact of foreign currency translation by translating our current period results at prior period foreign currency exchange rates. We also may exclude the impact of foreign currency translation when making incentive compensation determinations. As a result, our management believes that these presentations are useful internally and may be useful to investors.

We also exclude the impact of material divestitures and acquisitions when comparing results to prior periods. Changes in operating results excluding the impact of divestitures are non-U.S. GAAP financial measures; however, we feel it is important to exclude the impact of divestitures on year-over-year results in order to evaluate performance on a more comparable basis.

SEALED AIR CORPORATION AND SUBSIDIARIES

Condensed Consolidated Balance Sheets

	June 30, 2016	December 31,
(In millions, except share data)	(unaudited)	2015 ⁽¹⁾
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 297.5	\$ 358.4
Trade receivables, net of allowance for doubtful accounts of \$22.6 in 2016 and \$24.9 in 2015	839.9	758.4
Income tax receivables	24.0	22.7
Other receivables	153.6	124.8
Inventories, net of inventory reserves of \$27.4 in 2016 and \$21.9 in 2015	748.0	660.8
Assets held for sale	3.4	10.3
Prepaid expenses and other current assets	293.6	280.2
Total current assets	2,360.0	2,215.6
Property and equipment, net	980.0	930.7
Goodwill	2,906.8	2,909.5
Intangible assets, net	764.4	784.3
Deferred taxes	170.3	204.7
Other non-current assets ⁽¹⁾	345.2	345.2
Total assets	\$ 7,526.7	\$ 7,390.0
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Short-term borrowings	\$ 281.0	\$ 241.9
Current portion of long-term debt	76.6	46.6
Accounts payable	777.6	675.3
Accrued restructuring costs	44.5	53.6
Other current liabilities	713.7	789.7
Total current liabilities	1,893.4	1,807.1
Long-term debt, less current portion ⁽¹⁾	4,259.1	4,266.8
Deferred taxes	61.4	75.0
Other non-current liabilities	725.8	714.0
Total liabilities	6,939.7	6,862.9
Commitments and contingencies - Note 15		
Stockholders' equity:		
Preferred stock, \$0.10 par value per share, 50,000,000 shares authorized; no shares issued in		
2016 and 2015	—	—
Common stock, \$0.10 par value per share, 400,000,000 shares authorized; shares issued:	22.7	22.6

227,148,951 in 2016 and 225,625,636 in 2015; shares outstanding: 196,719,612 in 2016 and

196,013,299 in 2015		
Additional paid-in capital	1,953.9	1,915.0
Retained earnings	758.6	675.2
Common stock in treasury, 30,429,339 shares in 2016 and 29,612,337 shares in 2015	(1,304.7)	(1,265.7)
Accumulated other comprehensive loss, net of taxes	(843.5)	(820.0)
Total stockholders' equity	587.0	527.1
Total liabilities and stockholders' equity	\$ 7,526.7	\$ 7,390.0

See accompanying notes to condensed consolidated financial statements.

⁽¹⁾As of January 1, 2016, we have adopted ASU 2015-03 and ASU 2015-15 with retrospective application. This resulted in a reclassification from other non-current assets to long-term debt, less current portion for debt issuance costs. Refer to Note 2, "Recently Issued Accounting Standards" of the notes to the condensed consolidated financial statements for further details.

SEALED AIR CORPORATION AND SUBSIDIARIES

Condensed Consolidated Statements of Operations

	Three Months		Six Months Ended	
	Ended June 30,		June 30,	
	(unaudited)		(unaudited)	
(In millions, except share data)	2016	2015	2016	2015
Net sales	\$1,727.0	\$1,785.0	\$3,317.6	\$3,531.4
Cost of sales ⁽¹⁾	1,065.6	1,121.2	2,066.9	2,218.0
Gross profit	661.4	663.8	1,250.7	1,313.4
Selling, general and administrative expenses ⁽¹⁾	413.5	415.3	809.5	843.1
Amortization expense of intangible assets acquired	27.5	23.0	48.9	45.6
Stock appreciation rights expense	(0.1)	1.6	0.2	4.5
Restructuring and other charges ⁽¹⁾	1.9	16.9	1.9	29.6
Operating profit	218.6	207.0	390.2	390.6
Interest expense	(54.3)	(59.0)	(109.0)	(117.5)
Foreign currency exchange loss related to Venezuelan subsidiaries	(1.1)	(30.5)	(2.8)	(29.7)
Charge related to Venezuelan subsidiaries ⁽¹⁾	(46.0)	—	(46.0)	—
Loss on debt redemption and refinancing activities	—	(110.8)	—	(111.3)
Gain (loss) on sale of business	—	29.2	(1.6)	29.2
Other income, net	5.8	7.0	4.5	12.9
Earnings before income tax provision	123.0	42.9	235.3	174.2
Income tax provision	73.4	14.8	93.8	48.9
Net earnings available to common stockholders	\$49.6	\$28.1	\$141.5	\$125.3
Net earnings per common share:				
Basic	\$0.25	\$0.13	\$0.72	\$0.60
Diluted	\$0.25	\$0.13	\$0.71	\$0.59
Dividends per common share	\$0.16	\$0.13	\$0.29	\$0.26
Weighted average number of common shares outstanding:				
Basic	195.6	208.5	195.4	208.7
Diluted	197.9	211.3	197.5	211.5

See accompanying notes to condensed consolidated financial statements.

⁽¹⁾Due to the ongoing challenging economic situation in Venezuela, the Company approved a program in the second quarter of 2016 to cease operations in the country. This resulted in total costs of \$52.1 million being incurred which included a voluntary reduction in headcount including severance and termination benefits for employees of approximately \$0.3 million recorded in restructuring and other charges, depreciation and amortization expense related to fixed assets and intangibles of approximately \$4.8 million recorded in selling, general and administrative expenses, inventory reserves of \$1.0 million recorded in costs of sales and the reclassification of cumulative translation adjustment of approximately \$46.0 million recorded in charges related to Venezuelan subsidiaries.

SEALED AIR CORPORATION AND SUBSIDIARIES

Condensed Consolidated Statements of Comprehensive Income

	Three Months Ended June 30,		Six Months Ended June 30,	
	(unaudited)		(unaudited)	
(In millions)	2016	2015 ⁽¹⁾	2016	2015 ⁽¹⁾
Net earnings available to common stockholders	\$49.6	\$28.1	\$141.5	\$125.3
Other comprehensive income (loss), net of taxes:				
Recognition of deferred pension items, net of taxes of \$(0.7) for				
the three months ended June 30, 2016, \$0.2 for the				
three months ended June 30, 2015, \$(1.3) for				
the six months ended June 30, 2016 and \$(0.6) for the				
six months ended June 30, 2015	2.1	5.4	3.8	7.4
Unrealized gains (losses) on derivative instruments for net				
investment hedge, net of taxes of \$(9.6) for				
the three months ended June 30, 2016, \$5.9 for the				
three months ended June 30, 2015, \$4.4 for				
the six months ended June 30, 2016 and \$10.8 for the				
six months ended June 30, 2015	15.5	(11.3)	(7.1)	(19.3)
Unrealized (losses) gains on derivative instruments for cash flow				
hedge, net of taxes of \$0.5 for				
the three months ended June 30, 2016, \$(0.3) for the				
three months ended June 30, 2015, \$2.4 for				
the six months ended June 30, 2016 and \$(0.4) for the				
six months ended June 30, 2015	(0.6)	(1.8)	(4.7)	0.8
Foreign currency translation adjustments, net of taxes of \$(1.3) for	(6.2)	(1.1)	(15.5)	(59.2)
the three months ended June 30, 2016, \$2.0 for the				

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three months ended June 30, 2015, \$(20.1) for

the six months ended June 30, 2016 and \$(2.1) for the

six months ended June 30, 2015

Other comprehensive income (loss), net of taxes	10.8	(8.8)	(23.5)	(70.3)
Comprehensive income, net of taxes	\$60.4	\$ 19.3	\$ 118.0	\$55.0

See accompanying notes to condensed consolidated financial statements.

⁽¹⁾For the three and six months ended June 30, 2015, certain foreign currency translation adjustments were misclassified on the Condensed Consolidated Statement of Comprehensive Income in deferred pension items and unrealized losses on cash flow hedge derivative instruments. See Note 1 “Organization and Basis of Presentation” under the heading “Reclassifications and Revisions” for further discussion of the revisions.

7

SEALED AIR CORPORATION AND SUBSIDIARIES

Condensed Consolidated Statements of Cash Flows

	Six Months Ended June 30,	
	(unaudited)	
(In millions)	2016	2015 ⁽¹⁾
Net earnings available to common stockholders	\$ 141.5	\$ 125.3
Adjustments to reconcile net earnings to net cash provided by operating activities		
Depreciation and amortization	106.7	109.2
Share-based incentive compensation	30.0	33.2
Profit sharing expense	17.3	19.3
Loss on debt redemption and refinancing activities	—	111.3
Remeasurement loss related to Venezuelan subsidiaries	2.8	29.7
Reclassification of cumulative translation adjustment of Venezuelan subsidiaries	46.0	—
Provisions for bad debt	1.8	2.3
Provisions for inventory obsolescence	5.3	1.4
Deferred taxes, net	8.5	5.4
Excess tax benefit from stock based compensation	(6.8)	—
Net (gain) on disposals of property and equipment and other	—	(3.6)
Net loss (gain) on sale of business	1.9	(35.8)
Other non-cash items	5.1	(3.4)
Changes in operating assets and liabilities:		
Trade receivables, net	(83.9)	(47.9)
Inventories	(82.9)	(99.1)
Accounts payable	90.3	107.4
Settlement agreement and related items	—	235.2
Other assets and liabilities	(102.4)	(133.8)
Net cash provided by operating activities	181.2	456.1
Cash flows from investing activities:		
Capital expenditures	(113.5)	(57.6)
Proceeds, net from sale of business	7.8	75.6
Businesses acquired in purchase transactions, net of cash and cash equivalents acquired	—	(8.5)
Proceeds from sales of property, equipment and other assets	0.4	26.4
Settlement of foreign currency forward contracts	(31.3)	39.6
Net cash (used in) provided by investing activities	(136.6)	75.5
Cash flows from financing activities:		
Net proceeds from borrowings	35.0	69.6
Excess tax benefit from stock based compensation	6.8	—
Cash used as collateral on borrowing arrangements	0.3	(14.7)
Dividends paid on common stock	(57.0)	(54.8)
Acquisition of common stock for tax withholding	(22.3)	(7.4)
Repurchases of common stock	(52.0)	(149.7)
Payments for debt extinguishment and issuance costs	—	(108.2)

Net cash used in financing activities	(89.2)	(265.2)
Effect of foreign currency exchange rate changes on cash and cash equivalents	(16.3)	(34.3)
Balance, beginning of period	358.4	286.4
Net change during the period	(60.9)	232.1
Balance, end of period	\$297.5	\$518.5
Supplemental Cash Flow Information:		
Interest payments, net of amounts capitalized	\$108.0	\$131.4
Income tax payments	\$59.9	\$52.8
Stock appreciation rights payments (less amounts included in restructuring payments)	\$1.9	\$18.3
Restructuring payments including associated costs	\$36.4	\$45.2
Non-cash items:		
Transfers of shares of our common stock from treasury for our 2015 and 2014 profit-sharing plan contributions	\$37.6	\$36.7

See accompanying notes to condensed consolidated financial statements.

⁽¹⁾For the six months ended June 30, 2015, certain amounts related to the settlement of a net investment hedge and foreign currency gains and losses were misclassified. Additional revisions were made to the Condensed Consolidated Balance Sheet as of June 30, 2015. As a result, corresponding changes were made on the Condensed Consolidated Statement of Cash Flows. See Note 1 “Organization and Basis of Presentation” under the heading “Reclassifications and Revisions” for further discussion of the revisions.

SEALED AIR CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (unaudited)

Note 1 Organization and Basis of Presentation

Organization

We are a global leader in food safety and security, facility hygiene and product protection. We serve an array of end markets including food and beverage processing, food service, retail, healthcare and industrial, and commercial and consumer applications. Our focus is on achieving quality sales growth through leveraging our geographic footprint, technological know-how and leading market positions to bring measurable, sustainable value to our customers and investors.

We conduct substantially all of our business through three wholly-owned subsidiaries, Cryovac, Inc., Sealed Air Corporation (US) and Diversey, Inc. Throughout this report, when we refer to “Sealed Air,” the “Company,” “we,” “our,” or “us,” we are referring to Sealed Air Corporation and all of our subsidiaries, except where the context indicates otherwise.

Basis of Presentation

Our Condensed Consolidated Financial Statements include all of the accounts of the Company and our subsidiaries. We have eliminated all significant intercompany transactions and balances in consolidation. In management’s opinion, all adjustments, consisting only of normal recurring accruals, necessary for a fair presentation of our Condensed Consolidated Balance Sheet as of June 30, 2016 and our Condensed Consolidated Statement of Operations for the three and six months ended June 30, 2016 and 2015 have been made. The results set forth in our Condensed Consolidated Statement of Operations for the three and six months ended June 30, 2016 and in our Condensed Consolidated Statement of Cash Flows for the six months ended June 30, 2016 are not necessarily indicative of the results to be expected for the full year. All amounts are in millions, except per share amounts, and approximate due to rounding. Some prior period amounts have been reclassified to conform to the current year presentation. These reclassifications, individually and in the aggregate, did not have a material impact on our condensed consolidated financial condition, results of operations or cash flows.

Our Condensed Consolidated Financial Statements were prepared in accordance with the interim reporting requirements of the SEC. As permitted under those rules, annual footnotes or other financial information that are normally required by U.S. GAAP have been condensed or omitted. The preparation of Condensed Consolidated Financial Statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts and the disclosure of contingent amounts in our Condensed Consolidated Financial Statements and accompanying notes. Actual results could differ from these estimates.

We are responsible for the unaudited Condensed Consolidated Financial Statements and notes included in this report. As these are condensed financial statements, they should be read in conjunction with the audited consolidated financial statements and notes included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2015 as filed with the SEC on February 22, 2016 (“2015 Form 10-K”) and with the information contained in other publicly-available filings with the SEC.

Reclassifications and Revisions

For the six months ended June 30, 2015, certain amounts related to the settlement of a net investment hedge and foreign currency gains and losses were misclassified on the Condensed Consolidated Statement of Cash Flows. The reclassification of these items in the Condensed Consolidated Statement of Cash Flows for the six months ended June 30, 2015 resulted in a decrease in cash provided by operating activities of \$6.3 million, an increase to cash provided by investing activities of \$2.9 million, and an increase of \$3.6 million due to the effect of foreign currency exchange rate changes on cash.

Additionally, for the six months ended June 30, 2015, certain amounts related to compensating balance arrangements and external payment terms were misclassified in the Condensed Consolidated Balance Sheet and Condensed Consolidated Statement of Cash Flows. The revision of these items resulted in a decrease in cash and an increase in other current assets of \$50.7 million related to cash deposits held in compensating balance arrangements for certain short-term borrowing agreements and a decrease in accounts payable and an increase in short-term borrowings of \$13.9 million related to extended payment terms on a vendor agreement on the Condensed Consolidated Balance Sheet. The revision of these items on the Condensed Consolidated Statement of Cash Flows resulted in a decrease in cash provided by operating activities of \$1.0 million and a decrease to cash provided by financing activities of \$13.7 million.

For the six months ended June 30, 2015, foreign currency translation adjustments were misclassified on the Condensed Consolidated Statement of Comprehensive Income (Loss) in deferred pension items and unrealized losses on cash flow hedge derivative instruments. The reclassification of these items in the Condensed Consolidated Statement of Comprehensive Income (Loss) for the six months ended June 30, 2015 resulted in a decrease in recognition of deferred pension items of \$8.2 million, an increase in unrealized losses on derivative instruments for cash flow hedge of \$1.1 million, and an increase in the foreign currency translation adjustments of \$7.1 million. These classification adjustments did not result in a change to total comprehensive income.

Impact of Inflation and Currency Fluctuation

Venezuela

Economic and political events in Venezuela have continued to expose us to heightened levels of foreign currency exchange risk. Accordingly, Venezuela has been designated a highly inflationary economy under U.S. GAAP, and the U.S. dollar replaced the bolivar fuerte as the functional currency for our subsidiaries in Venezuela. All bolivar-denominated monetary assets and liabilities are re-measured into U.S. dollars using the current exchange rate available to us, and any changes in the exchange rate are reflected in foreign currency exchange loss related to our Venezuelan subsidiaries on the Condensed Consolidated Statements of Operations.

2015 Activity

In February 2015, the Venezuelan government announced a new foreign exchange platform called the Marginal Currency System or SIMADI. The SIMADI basically replaced the SICAD 2 rate. When this market opened on February 12, 2015 the rate was 170.0390 and then at June 30, 2015 it was 197.2980. The SICAD 1 and the SICAD 2 were merged into the SICAD. The opening rate was 12 for the SICAD and at June 30, 2015 it was 12.80. In addition, the National Center of Foreign Commerce, or CENCOEX, will continue and provide preferential treatment for certain import operations such as food and medicines.

Since these changes were announced by the Venezuelan government, the new SIMADI market has had very little activity and companies have not been able to access this market to obtain U.S. dollars. In addition, the SICAD rate which is established via auctions has had no auctions held since October 2014. However, in June 2015 an auction was held for the automotive parts and school supplies industries.

Therefore, in 2015 there were three legal mechanisms to exchange Bolivars for US dollars:

- CENCOEX at the official rate of 6.3;
- SICAD auction process at the awarded exchange rate (opening rate at 12 and at June 30, 2015 it was 12.80); and
- SIMADI at the negotiated rate (rate of 197.2980 at June 30, 2015).

At June 30, 2015, we evaluated which legal mechanisms were available to our Venezuelan subsidiaries to access U.S. dollars. As of June 30, 2015, we concluded that we will use the June 30, 2015 SIMADI rate of 197.2980 to remeasure Bolivar denominated monetary assets and liabilities since it is our only legally available option and our intent on a go-forward basis is to utilize this market to settle any future transactions based on the current facts and circumstances. For any U.S. dollar denominated monetary asset or liability, such amounts do not get remeasured at month-end since it is already an asset or liability denominated in U.S. dollars. As a result of this evaluation, the Company reported a remeasurement net loss of \$30.5 million for the three months ended June 30, 2015 and \$29.7 for the six months ended June 30, 2015.

During the remainder of 2015, we continued to evaluate which legal mechanisms were available to our Venezuelan subsidiaries to access U.S. dollars. Starting June 30, 2015 through to December 31, 2015, we concluded that we

would use the SIMADI rate to remeasure our bolivar denominated monetary assets and liabilities since it was our only legally available option and at that time, our intent on a go-forward basis to utilize this market to settle any future transactions based on the then current facts and circumstances. The SIMADI rate as of December 31, 2015 was 198.6986. During 2015, the Company did not receive U.S. dollars via the CENCOEX official rate of 6.3. We expected that we would only have limited access to the CENCOEX market to settle certain past transactions. However, if the option did become available to us to use the CENCOEX in the future, the Company would consider this further. In addition, there were no SICAD auctions for the food or chemical industries as of December 31, 2015. During 2015, we were only able to access the SIMADI market and only received minimal amounts of U.S. dollars.

2016 Activity

On February 17, 2016, the Venezuelan government made further changes to the exchange rates including a further devaluation and on March 9, 2016 published in Exchange Agreement No. 35 further rules governing foreign exchange transactions which were effective March 10, 2016. This includes the following key changes:

- The preferential rate for essential goods and services was changed from 6.3 to 10 bolivars per U.S. dollars and is no longer called CENCOEX but is now DIPRO;
- The SICAD rate was eliminated which reduced the number of legal mechanisms from three down to only two; and
- Eliminated the SIMADI rate which was replaced by the DICOM rate which will be allowed to float freely beginning at a rate of approximately 203 bolivars to U.S. dollar.

At June 30, 2016, we evaluated which legal mechanisms were available to our Venezuelan subsidiaries to access U.S. dollars. As noted above, the SIMADI rate was replaced with the DICOM rate. Consistent with our evaluation completed in the first quarter of 2016, we concluded that we will continue to use the DICOM rate to remeasure our bolivar denominated monetary assets and liabilities since it is our only legally available option and our intent on a go-forward basis to utilize this market if needed, to settle any future transactions based on the current facts and circumstances. The DICOM rate as of June 30, 2016 was 628.3434.

We will continue to evaluate each reporting period the appropriate exchange rate to remeasure our financial statements based on the facts and circumstances as applicable.

During the first six months of 2016, we were only able to access the SIMADI market (during the period the market was available) and only received minimal amounts of U.S. dollars during the first three months of 2016. We did not receive any U.S. dollars via the CENCOEX (at an official rate of 6.3) or the DIPRO (at an official rate of 10.0). We expect that we will only have limited access to the DIPRO market to settle certain past transactions. However, if the option becomes available to us to use the DIPRO in the future, the Company will consider this further, as needed. For any U.S. dollar denominated monetary asset or liability, such amounts do not get remeasured at month-end since it is already an asset or liability denominated in U.S. dollars. As a result of this evaluation, the Company reported a remeasurement loss of \$1.1 million for the three months ended June 30, 2016 and \$2.8 million for the six months ended June 30, 2016.

Due to the ongoing challenging economic situation in Venezuela, the Company approved a program in the second quarter of 2016 to cease operations in the country. Foreign exchange control regulations have affected our Venezuelan subsidiaries ability to obtain inventory and maintain normal production. This resulted in total costs of \$52.1 million being incurred which included the following (i) a voluntary reduction in headcount including severance and termination benefits for employees of approximately \$0.3 million, (ii) depreciation and amortization expense related to fixed assets and intangibles of approximately \$4.8 million, (iii) inventory reserves of \$1.0 million and (iv) the reclassification of approximately \$46.0 million of cumulative translation adjustment into Net income as the Company's decision to cease operations is similar to a substantially complete liquidation.

Note 2 Recently Issued Accounting Standards

Recently Adopted Accounting Standards

In November 2015, Financial Accounting Standards Board ("FASB") issued Accounting Standards Updates ("ASU") 2015-17, Income Taxes (Topic 740), Balance Sheet Classification of Deferred Taxes ("ASU 2015-17"). This ASU will simplify the presentation of deferred tax assets and liabilities by requiring companies to classify all deferred tax as noncurrent on the balance sheet instead of separating deferred taxes into current and noncurrent amounts. ASU 2015-17 is effective for financial statements issued for annual periods beginning after December 31, 2016 and interim

periods within those annual periods. However, as early adoption is available, we have adopted this standard as of December 31, 2015 with retrospective application.

In September 2015, the FASB issued ASU 2015-16, Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments (“ASU 2015-16”). This ASU requires that an acquirer recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustments amounts are determined. The ASU also requires that in the same period, the effect on earnings of changes in depreciation, amortization or other income effects, if any, as a result of the change to the provisional amounts, calculated as if the accounting had been completed at the acquisition date. The amendments in ASU 2015-16 are effective for fiscal years beginning after December 15, 2015, including interim periods within those fiscal years and will be applied prospectively for adjustments to provisional amounts that occur after that date. The impact of ASU 2015-16 will depend on any future events whereby we have any business combinations and any adjustments to the provisional amounts identified during the measurement period are recorded.

In August 2015, the FASB issued ASU 2015-12, Plan Accounting: Defined Benefit Pension Plans (Topic 960), Defined Contribution Pension Plans (Topic 962), Health and Welfare Benefit Plans (Topic 965): (Part I) Fully Benefit-Responsive Investment Contracts, (Part II) Plan Investment Disclosures, (Part III) Measurement Date Practical Expedient (“ASU 2015-12”). This ASU designates contract value as the only required measure for fully benefit-responsive investment contracts; simplifies the investment disclosure requirements under Accounting Standards Codification (“ASC”) topic 820 for fair value, and topics 960, 962 and 965 for employee benefit plans; and provides a similar measurement date practical expedient for employee benefit plans. The amendments in ASU 2015-12 were effective as of January 1, 2016. We do not expect ASU 2015-12 to have a material impact on our financial statements.

In April 2015, the FASB issued ASU 2015-03, Interest—Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs (“ASU 2015-03”). This ASU will simplify the presentation of debt issuance costs. It will require that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. In August 2015, the FASB issued ASU 2015-15, Interest—Imputation of Interest (Subtopic 835-30), Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements — Amendments to SEC Paragraphs Pursuant to Staff Announcement at June 18, 2015 Emerging Issues Task Forces (“EITF”) Meeting (SEC Update) (“ASU 2015-15”). This ASU clarifies that as line of credit arrangements were not specifically discussed in ASU 2015-03, the SEC staff would not object to an entity deferring and presenting debt issuance costs as an asset and subsequently amortizing the deferred debt issuance costs ratably over the term of the line of credit arrangement, regardless of whether there are any outstanding borrowings on the line-of-credit arrangement. ASU 2015-15 should be adopted concurrent with the adoption of ASU 2015-03. The amendments in ASU 2015-03 are effective for fiscal years, and interim periods within those years, beginning after December 15, 2015. We have adopted these standards as of January 1, 2016 with retrospective application. Adoption of ASU 2015-03 and ASU 2015-15 resulted in a decrease in other non-current assets of \$35.9 million and a decrease in long-term debt of \$35.9 million as of December 31, 2015 on the Condensed Consolidated Balance Sheet.

In April 2015, the FASB issued ASU 2015-05, Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer’s Accounting for Fees Paid in a Cloud Computing Arrangement (“ASU 2015-05”). This ASU will help entities evaluate the accounting for fees paid by a customer in a cloud computing arrangement. It provides guidance about whether a cloud computing arrangement includes a software license. The amendments in ASU 2015-05 have been adopted prospectively. The adoption of ASU 2015-05 does not have a material impact on the financial statements.

Recently Issued Accounting Standards

In June 2016, the FASB issued ASU 2016-13, Financial Instruments — Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments (“ASU 2016-13”). ASU 2016-13 requires entities to measure all expected credit losses for most financial assets held at the reporting date based on an expected loss model which includes historical experience, current conditions, and reasonable and supportable forecasts. Entities will now use forward-looking information to better form their credit loss estimates. The ASU also requires enhanced disclosures to help financial statement users better understand significant estimates and judgments used in estimating credit losses, as well as the credit quality and underwriting standards of an entity’s portfolio. ASU 2016-13 is effective for annual periods beginning after December 15, 2019, including interim periods within those fiscal periods. Entities may adopt earlier as of the fiscal year beginning after December 15, 2018, including interim periods within those fiscal years. We are currently in the process of evaluating this new standard update.

In March 2016, the FASB issued ASU 2016-09, Compensation – Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting (“ASU 2016-09”). ASU 2016-09 simplifies the accounting for share-based

payment award transactions including: income tax consequences, classification of awards as either equity or liabilities and classification on the statement of cash flows. ASU 2016-09 is effective for annual periods beginning after December 15, 2016, including interim periods within those annual periods. Early adoption is permitted. We are currently in the process of evaluating this new standard update.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), (“ASU 2016-02”). This ASU requires an entity to recognize a right-of-use asset and lease liability for all leases with terms of more than 12 months. Recognition, measurement and presentation of expenses will depend on classification as a finance or operating lease. The amendments also require certain quantitative and qualitative disclosures about leasing arrangements. The amendments in ASU 2016-02 are effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early adoption is permitted. The updated guidance requires a modified retrospective adoption. We are currently in the process of evaluating this new standard update.

In January 2016, the FASB issued ASU 2016-01, Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities (“ASU 2016-01”). This ASU requires equity investments except those under the equity method of accounting to be measured at fair value with the changes in fair value recognized in net income. The amendment simplifies the impairment assessment of equity investments without readily determinable fair values by requiring a qualitative assessment to identify impairment. In addition, it also requires enhanced disclosures about investments. The amendments in ASU 2016-01 are effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Early application for certain provisions is allowed but early adoption of the amendments is not permitted. An entity should apply the amendments by means of a cumulative-effect adjustment to the balance sheet as of the beginning of the fiscal year of adoption. We are currently in the process of evaluating this new standard update.

In July 2015, the FASB issued ASU 2015-11, Simplifying the Measurement of Inventory (“ASU 2015-11”), which applies to inventory valued at first-in, first-out (FIFO) or average cost. ASU 2015-11 requires inventory to be measured at the lower of cost and net realizable value, rather than at the lower of cost or market. ASU 2015-11 is effective on a prospective basis for annual periods, including interim reporting periods within those periods, beginning after December 15, 2016. We are currently in the process of evaluating this new standard update.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606), (“ASU 2014-09”) and issued subsequent amendments to the initial guidance in August 2015, March 2016, April 2016 and May 2016 within ASU 2015-04, ASU 2016-08, ASU 2016-10 and ASU 2016-12, respectively (ASU 2014-09, ASU 2015-04, ASU 2016-08, ASU 2016-10 and ASU 2016-12 collectively, Topic 606). Previous revenue recognition guidance in U.S. GAAP comprised broad revenue recognition concepts together with numerous revenue requirements for particular industries or transactions, which sometimes resulted in different accounting for economically similar transactions. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve this core principal, five steps are required to be applied. In addition, ASU 2014-09 expands and enhances disclosure requirements which require disclosing sufficient information to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. This includes both qualitative and quantitative information. The amendments in ASU 2014-09 are effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. Early application is not permitted. In August 2015, the FASB issued ASU 2015-14, Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date, (“ASU 2015-14”). The amendments in ASU 2015-14 delay the effective date of ASU 2014-09 by one year to annual reporting periods beginning after December 15, 2017 and allow early adoption as of the original public entity effective date. The amendments in ASU 2016-08, ASU 2016-10 and ASU 2016-12 are effective in conjunction with ASU 2015-14. We are currently in the process of evaluating this new standard update.

Note 3 Divestitures

Sale of North American foam trays and absorbent pads business

On April 1, 2015, we completed the sale of our North American foam trays and absorbent pads business to NOVIPAX, a portfolio company of Atlas Holdings LLC, for net proceeds of \$76 million, net of certain purchase price adjustments of \$6 million and subject to final purchase price adjustment. After transaction costs of \$7 million, we recorded a pre-tax gain of \$29 million on the sale, which is included in net earnings available to common shareholders in the Condensed Consolidated Statement of Operations for the three and six months ended June 30, 2015. Subsequent to June 30, 2015, the amounts were updated such that we recorded a \$27 million pre-tax gain on the sale of business which was reflected in our Consolidated Statement of Operations for the year ended December 31, 2015. The impact to the Condensed Consolidated Statement of Operations for the three and six months ended June 30, 2016 was

immaterial.

The decision to sell this business was consistent with the Company's overall strategy to focus on innovation and differentiation in its portfolio of products within the flexible packaging industry. The sale included our manufacturing facilities in Paxinos and Reading, PA, Indianapolis, IN, Rockingham, NC, and Grenada, MS.

The North American foam trays and absorbent pads business was part of the Company's Food Care division.

For the three months ended March 31, 2015, the North American foam trays and absorbent pads businesses contributed approximately \$53 million of net sales and \$10 million of earnings before income tax provision, which excludes certain allocated costs, including corporate support services, for which the Company would normally include in measuring its performance. There was no contribution from the business for the three months ended June 30, 2015.

13

Sale of European food trays business

On November 1, 2015, we completed the sale of our European food trays business to Faerch Plast A/S, a European food packaging solutions provider, for net proceeds at that time of €18 million or approximately \$19 million, net of certain purchase price adjustments of €2 million or approximately \$2 million. The net proceeds excluded contingent consideration which will be received if certain performance targets are met. This transaction follows the sale of our North American foam trays and absorbent pads business in April 2015 and is aligned with our continued commitment to a disciplined approach to portfolio management strategy. The European sale included the manufacturing facilities in Poole, UK and Bunol, Spain.

In the Condensed Consolidated Statement of Operations for the three and six months ended June 30, 2016, we recorded an additional pre-tax loss on the sale of business primarily due to a reduction in the net proceeds of less than \$1 million and \$2 million, respectively. This resulted in cumulative net proceeds of €16 million or approximately \$18 million.

The European food trays business was part of the Company's Food Care division.

For the three and six months ended June 30, 2015, the European food trays business contributed approximately \$15 million and \$29 million of net sales, respectively, and \$2 million and \$3 million of earnings from continuing operations before income tax provision, respectively, which excludes certain allocated costs, including corporate support services for which the Company would normally include in measuring its performance.

Note 4 Segments

The Company's segment reporting structure consists of three reportable segments and an "Other" category and is as follows:

- Food Care;
- Diversey Care;
- Product Care; and
- Other (includes Corporate, Medical Applications and New Ventures businesses).

The Company's Food Care, Diversey Care and Product Care segments are considered reportable segments under FASB ASC Topic 280. Our reportable segments are aligned with similar groups of products. Other includes Corporate and the Medical Applications and New Ventures businesses. Other includes certain costs that are not allocated to the reportable segments, primarily consisting of unallocated corporate overhead costs, including administrative functions and cost recovery variances not allocated to the reportable segments from global functional expenses.

We allocate and disclose depreciation and amortization expense to our segments, although property and equipment, net is not allocated to the segment assets, nor is depreciation and amortization included in the segment performance metric Adjusted EBITDA. We also disclose restructuring and other charges by segment, although these items are not included in the segment performance metric Adjusted EBITDA since restructuring and other charges are categorized as special items as outlined in the table reconciling Non-U.S. GAAP Total Company Adjusted EBITDA to U.S. GAAP net earnings from continuing operations set forth below. The accounting policies of the reportable segments and Other are the same as those applied to the Condensed Consolidated Financial Statements.

The following tables show Net Sales and Adjusted EBITDA by our segment reporting structure:

(In millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Net Sales:				
Food Care	\$802.3	\$846.6	\$1,567.0	\$1,726.4
As a % of Total Company net sales	46.5 %	47.4 %	47.2 %	48.9 %
Diversey Care	531.9	535.0	973.3	1,002.9
As a % of Total Company net sales	30.8 %	30.0 %	29.3 %	28.4 %
Product Care ⁽¹⁾	374.2	383.9	741.4	763.8
As a % of Total Company net sales	21.7 %	21.5 %	22.3 %	21.6 %
Other ⁽¹⁾	18.6	19.5	35.9	38.3
Total Company Net Sales	\$1,727.0	\$1,785.0	\$3,317.6	\$3,531.4

(In millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Adjusted EBITDA:				
Food Care	\$162.8	\$173.7	\$310.6	\$364.2
Adjusted EBITDA Margin	20.3 %	20.5 %	19.8 %	21.1 %
Diversey Care	86.2	69.0	122.5	110.1
Adjusted EBITDA Margin	16.2 %	12.9 %	12.6 %	11.0 %
Product Care ⁽¹⁾	78.8	79.6	155.9	156.0
Adjusted EBITDA Margin	21.1 %	20.7 %	21.0 %	20.4 %
Other ⁽¹⁾	(22.2)	(14.7)	(40.3)	(38.5)
Non-U.S. GAAP Total Company Adjusted EBITDA	\$305.6	\$307.6	\$548.7	\$591.8
Adjusted EBITDA Margin	17.7 %	17.2 %	16.5 %	16.8 %

- ⁽¹⁾ As of January 1, 2016, our Kevothermal business was moved from Other to our Product Care Segment. This resulted in a reclassification of \$2.9 million of net sales and \$0.6 million of adjusted EBITDA for the three months ended June 30, 2015 and \$5.7 million of net sales and \$1.4 million of adjusted EBITDA for the six months ended June 30, 2015.

The following table shows a reconciliation of Total Company Adjusted EBITDA to Net earnings available to common stockholders:

(In millions)	Three Months		Six Months	
	Ended June 30, 2016	2015	Ended June 30, 2016	2015
Total Company Adjusted EBITDA	\$305.6	\$307.6	\$548.7	\$591.8
Depreciation and amortization ⁽¹⁾⁽³⁾	(74.3)	(69.3)	(137.8)	(142.4)
Special items:				
Accelerated depreciation of non-strategic assets related				
to restructuring programs	0.1	(0.3)	0.1	0.3
Accelerated depreciation and amortization of fixed				
assets and intangible assets for Venezuelan				
subsidiaries ⁽¹⁾	4.8	—	4.8	—
Restructuring and other charges ⁽¹⁾⁽⁴⁾	(1.6)	(16.9)	(1.6)	(29.6)
Other restructuring associated costs included in cost of				
sales and selling, general and administrative expenses	(5.2)	(10.7)	(11.3)	(19.2)
SARs	0.1	(1.6)	(0.2)	(4.5)
Foreign currency exchange (loss) gains related to				
Venezuelan subsidiaries	(1.1)	(30.5)	(2.8)	(29.7)
Charges related to ceasing operations in Venezuela ⁽¹⁾	(52.1)	—	(52.1)	—
Loss on debt redemption and refinancing activities	—	(110.8)	—	(111.3)
Gain (loss) on sale of North American foam trays and				
absorbent pads business and European food trays				
business	—	29.2	(1.6)	29.2
Gain (loss) related to the sale of other businesses,				
investments and property, plant and equipment	(0.4)	5.3	(2.1)	8.8
Other special items ⁽²⁾	1.4	(0.1)	0.2	(1.7)
Interest expense	(54.3)	(59.0)	(109.0)	(117.5)
Income tax provision	73.4	14.8	93.8	48.9
Net earnings available to common stockholders	\$49.6	\$28.1	\$141.5	\$125.3

⁽¹⁾ Due to the ongoing challenging economic situation in Venezuela, the Company approved a program in the second quarter of 2016 to cease operations in the country. Refer to Note 1 of the Condensed Consolidated Statement of Operations for further details.

⁽²⁾ Other special items for the three and six months ended June 30, 2016 primarily included a reduction in a non-income tax reserve following the completion of a governmental audit partially offset by legal fees associated

with restructuring and acquisitions. Other special items for the three and six months ended June 30, 2015 primarily included legal fees associated with restructuring and acquisitions.

⁽³⁾Depreciation and amortization by segment is as follows:

(In millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Food Care	\$24.5	\$26.8	\$50.2	\$55.3
Diversey Care	25.0	25.2	48.0	51.3
Product Care	9.3	9.4	18.9	19.5
Other	15.5	7.9	20.7	16.3
Total Company depreciation and amortization ⁽¹⁾	\$74.3	\$69.3	\$137.8	\$142.4

⁽¹⁾Includes share-based incentive compensation of \$16.8 million and \$31.2 million for the three and six months ended June 30, 2016 and \$14.9 million and \$33.2 million for the three and six months ended June 30, 2015, respectively.

16

(4) Restructuring and other charges by segment were as follows:

(In millions)	Three Months Ended		Six Months Ended	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
Food Care	\$0.7	\$7.2	\$0.7	\$14.1
Diversey Care	0.5	6.3	0.5	9.5
Product Care	0.4	3.3	0.4	5.9
Other	—	0.1	—	0.1
Total Company restructuring and other charges ⁽¹⁾	\$1.6	\$16.9	\$1.6	\$29.6

⁽¹⁾For the three and six months ended June 30, 2016 restructuring and other charges excludes \$0.3 million related to severance and termination benefits for employees in our Venezuelan subsidiaries.

Assets by Reportable Segments

The following table shows assets allocated by our segment reporting structure. Only assets identifiable by segment and reviewed by our chief operating decision maker by segment are allocated by the reportable segment assets, which are trade receivables, net, and finished goods inventory, net. All other assets are included in “Assets not allocated.”

(In millions)	June 30, 2016	December 31, 2015
Assets:		
Trade receivables, net, and finished goods inventories, net		
Food Care	\$563.3	\$ 522.4
Diversey Care	515.8	440.3
Product Care	238.0	222.0
Other	15.3	12.5
Total segments and other	1,332.4	1,197.2
Assets not allocated		
Cash and cash equivalents	297.5	358.4
Property and equipment, net	980.0	930.7
Goodwill	2,906.8	2,909.5
Intangible assets, net	764.4	784.3
Assets held for sale	3.4	10.3
Other	1,242.2	1,199.6
Total	\$7,526.7	\$ 7,390.0

Note 5 Inventories and Cost of Sales

The following table details our inventories, net:

	June 30,	December 31,
(In millions)	2016	2015
Inventories:		
Raw materials	\$ 127.8	\$ 109.6
Work in process	127.7	112.4
Finished goods	492.5	438.8
Total	\$ 748.0	\$ 660.8

For the three and six months ended June 30, 2016 cost of sales included a \$6.8 million reimbursement of previously incurred environmental expenses, of which \$5.6 million impacted the Diversey Care division.

Note 6 Property and Equipment, net

The following table details our property and equipment, net:

(In millions)	June 30, 2016	December 31, 2015
Land and improvements	\$88.1	\$ 86.7
Buildings	611.4	602.0
Machinery and equipment	2,172.9	2,141.3
Other property and equipment	132.7	129.1
Construction-in-progress	240.6	190.7
Property and equipment, gross	3,245.7	3,149.8
Accumulated depreciation and amortization ⁽¹⁾	(2,265.7)	(2,219.1)
Property and equipment, net	\$980.0	\$ 930.7

⁽¹⁾As of June 30, 2016 this amount includes \$0.5 million related to the accelerated depreciation and amortization of fixed assets related to ceasing operations in Venezuela. Refer to Note 1 of the Condensed Consolidated Statement of Operations for further details.

The following table details our interest cost capitalized and depreciation and amortization expense for property and equipment.

(In millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Interest cost capitalized	\$2.3	\$—	\$3.9	\$1.0
Depreciation and amortization expense for property and equipment	\$30.0	\$31.4	\$57.7	\$63.6

Note 7 Goodwill and Identifiable Assets

Goodwill

The following table shows our goodwill balances by our segment reporting structure. We review goodwill for impairment on a reporting unit basis annually during the fourth quarter of each year and whenever events or changes in circumstances indicate the carrying value of goodwill may not be recoverable. As of June 30, 2016, we did not identify any changes in circumstances that would indicate the carrying value of goodwill may not be recoverable.

(In millions)	Food Care	Diversey Care	Product Care	Other	Total
Gross Carrying Value at December 31, 2015	\$804.3	\$1,820.9	\$1,373.7	\$1.6	\$4,000.5
Accumulated impairment	(208.0)	(883.0)	—	—	(1,091.0)
Carrying Value at December 31, 2015	\$596.3	\$937.9	\$1,373.7	\$1.6	\$2,909.5
Acquisition method adjustments	(0.1)	—	—	—	(0.1)
Dispositions	—	—	(1.1)	—	(1.1)
Currency translation	(4.5)	2.8	0.4	(0.2)	(1.5)
Gross Carrying Value at June 30, 2016	799.7	1,823.7	1,373.0	1.4	3,997.8
Accumulated impairment	(208.0)	(883.0)	—	—	(1,091.0)
Carrying Value at June 30, 2016	\$591.7	\$940.7	\$1,373.0	\$1.4	\$2,906.8

Identifiable Intangible Assets

The following tables summarize our identifiable intangible assets with definite and indefinite useful lives. As of June 30, 2016, there were no impairment indicators present.

(In millions)	June 30, 2016				December 31, 2015			
	Gross Carrying Value	Accumulated Amortization	Accumulated Impairment	Accumulated Net	Gross Carrying Value	Accumulated Amortization	Accumulated Impairment	Accumulated Net
Customer relationships ⁽¹⁾	\$854.6	\$ (284.3)	\$ (148.9)	\$421.4	\$846.2	\$ (249.4)	\$ (148.9)	\$447.9
Trademarks and tradenames	1.8	(0.6)	—	1.2	1.7	(0.4)	—	1.3
Capitalized software	160.5	(128.3)	—	32.2	143.0	(125.3)	—	17.7
Technology	142.2	(71.9)	(22.2)	48.1	141.9	(65.0)	(22.2)	54.7
Contracts	43.4	(33.0)	—	10.4	42.8	(31.2)	—	11.6
Total intangible assets								
with definite lives	1,202.5	(518.1)	(171.1)	513.3	1,175.6	(471.3)	(171.1)	533.2
Trademarks and tradenames								
with indefinite lives ⁽²⁾	881.3	—	(630.2)	251.1	881.3	—	(630.2)	251.1
Total identifiable intangible assets	\$2,083.8	\$ (518.1)	\$ (801.3)	\$764.4	\$2,056.9	\$ (471.3)	\$ (801.3)	\$784.3

⁽¹⁾ As of June 30, 2016 this amount includes \$4.3 million related to the accelerated amortization of intangible assets related to ceasing operations in Venezuela. Refer to Note 1 of the Condensed Consolidated Statement of Operations for further details.

⁽²⁾ The intangible assets include \$251 million of trademarks and trade names that we have determined to have indefinite useful lives, primarily acquired in connection with the acquisition of Diversey.

The following table shows the remaining estimated future amortization expense at June 30, 2016.

Year	Amount (in millions)
Remainder of 2016	\$ 44.7
2017	91.7
2018	64.3
2019	58.6

Thereafter	254.0
Total	\$ 513.3

Note 8 Accounts Receivable Securitization Programs

U.S. Accounts Receivable Securitization Program

We and a group of our U.S. operating subsidiaries maintain an accounts receivable securitization program under which they sell eligible U.S. accounts receivable to an indirectly wholly-owned subsidiary that was formed for the sole purpose of entering into this program. The wholly-owned subsidiary in turn may sell an undivided fractional ownership interest in these receivables with two banks and issuers of commercial paper administered by these banks. The wholly-owned subsidiary retains the receivables it purchases from the operating subsidiaries. Any transfers of fractional ownership interests of receivables under the U.S. receivables securitization program to the two banks and issuers of commercial paper administered by these banks are considered secured borrowings with pledge of collateral and will be classified as short-term borrowings on our Condensed Consolidated Balance Sheets. These banks do not have any recourse against the general credit of the Company. The net trade receivables that served as collateral for these borrowings are reclassified from trade receivables, net to prepaid expenses and other current assets on the Condensed Consolidated Balance Sheets.

As of June 30, 2016, the maximum purchase limit for receivable interests was \$90 million, subject to the availability limits described below.

The amounts available from time to time under this program may be less than \$90 million due to a number of factors, including but not limited to our credit ratings, trade receivable balances, the creditworthiness of our customers and our receivables collection experience. During the six months ended June 30, 2016, the level of eligible assets available under the program was lower than \$90 million primarily due to certain required reserves against our receivables. As a result, the amount available to us under the program was \$84 million at June 30, 2016. Although we do not believe restrictions under this program presently materially restrict our operations, if an additional event occurs that triggers one of these restrictive provisions, we could experience a further decline in the amounts available to us under the program or termination of the program.

The program expires annually in September and is renewable. The program was renewed in September 2015 for an additional year.

European Accounts Receivables Securitization Program

We and a group of our European subsidiaries maintain an accounts receivable securitization program with a special purpose vehicle, or SPV, two banks and issuers of commercial paper administered by these banks. The European program is structured to be a securitization of certain trade receivables that are originated by certain of our European subsidiaries. The SPV borrows funds from the banks to fund its acquisition of the receivables and provides the banks with a first priority perfected security interest in the accounts receivable. We do not have an equity interest in the SPV. We concluded the SPV is a variable interest entity because its total equity investment at risk is not sufficient to permit the SPV to finance its activities without additional subordinated financial support from the bank via loans or via the collections from accounts receivable already purchased. Additionally, we are considered the primary beneficiary of the SPV since we control the activities of the SPV, and are exposed to the risk of uncollectable receivables held by the SPV. Therefore, the SPV is consolidated in our Condensed Consolidated Financial Statements. Any activity between the participating subsidiaries and the SPV is eliminated in consolidation. Loans from the banks to the SPV will be classified as short-term borrowings on our Condensed Consolidated Balance Sheet. The net trade receivables that served as collateral for these borrowings are reclassified from trade receivables, net to prepaid expenses and other current assets on the Condensed Consolidated Balance Sheet.

As of June 30, 2016, the maximum purchase limit for receivable interests was €110 million (\$122 million equivalent at June 30, 2016), subject to availability limits. The terms and provisions of this program are similar to our U.S. program discussed above. As of June 30, 2016, the amount available under this program was €106 million (\$118 million equivalent as of June 30, 2016).

This program expires annually in February and is renewable. The program was renewed in February 2016 for an additional year.

Utilization of Our Accounts Receivable Securitization Programs

As of June 30, 2016, there were borrowings of \$82 million outstanding under our U.S. program and borrowings of €62 million (\$69 million equivalent as of June 30, 2016) under our European program. We continue to service the trade receivables supporting the programs, and the banks are permitted to re-pledge this collateral. Total interest expense related to the use of these programs was less than \$1 million for the three and six months ended June 30, 2016 and June 30, 2015.

Under limited circumstances, the banks and the issuers of commercial paper can end purchases of receivables interests before the above expiration dates. A failure to comply with debt leverage or various other ratios related to our receivables collection experience could result in termination of the receivables programs. We were in compliance with these ratios at June 30, 2016.

As of December 31, 2015, the total amount of borrowings was \$67 million under our U.S. program and €70 million (\$77 million equivalent as of December 31, 2015) under our European program.

Note 9 Restructuring and Relocation Activities

Consolidation of Restructuring Programs

As reported in our 2015 Form 10-K, our December 2011 Integration and Optimization Program (“IOP”) is substantially complete and is not expected to significantly impact 2016. The May 2013 Earnings Quality Improvement Program (“EQIP”) and the December 2014 Fusion program will show significant activity in 2016.

In the first quarter of 2016, the Board of Directors agreed to consolidate the remaining activities of all restructuring programs to create a single program to be called the “Sealed Air Restructuring Program” or the “Program.”

The Program consists of a portfolio of restructuring projects across all of our divisions as part of our transformation of Sealed Air into a knowledge-based company, including reductions in headcount, and relocation of certain facilities and offices, which primarily reflects the relocation of our global headquarters to Charlotte, North Carolina, including the headquarters for our divisions, research and development facilities, and corporate offices. By December 31, 2017, we anticipate approximately 1,300 jobs will have been relocated to Charlotte primarily from our former corporate headquarters in Elmwood Park, New Jersey; and facilities in Saddle Brook, New Jersey; Racine, Wisconsin; and, Duncan and Greenville, South Carolina. The cost of the Charlotte campus is estimated to be approximately \$120 million.

Program metrics are as follows:

	Sealed Air Restructuring Program
Approximate positions eliminated by the program	1,950
Estimated Program Costs (in millions):	
Costs of reduction in headcount as a result of reorganization	\$240-\$245
Other expenses associated with the Program	160-165
Total expense	\$400-410
Capital expenditures	250-255
Proceeds, foreign exchange and other cash items	(70)-(75)
Total estimated net cash cost	\$580-\$590
Program to Date Cumulative Expense (in millions):	
Costs of reduction in headcount as a result of reorganization	\$ 214
Other expenses associated with the Program	88
Total Cumulative Expense	\$ 302
Cumulative Capital expenditures	\$ 147

The following table details our restructuring activities as reflected in the Condensed Statement of Operations for the three and six months ended June 30, 2016 and 2015:

	Three		Six Months	
	Months		Months	
	Ended		Ended	
(In millions)	June 30,	June 30,	June 30,	June 30,
	2016	2015	2016	2015
Other associated costs	\$5.2	\$10.6	\$11.3	\$19.2
Restructuring charges	1.6	16.9	1.6	29.6
Total	\$6.8	\$27.5	\$12.9	\$48.8
Capital Expenditures	\$37.9	\$2.1	\$57.0	\$4.5

The restructuring accrual, spending and other activity for the six months ended June 30, 2016 and the accrual balance remaining at June 30, 2016 related to these programs were as follows (in millions):

Restructuring accrual at December 31, 2015	\$76.3
Accrual and accrual adjustments	1.6
Cash payments during 2016	(25.0)
Effect of changes in foreign currency exchange rates	1.2
Restructuring accrual at June 30, 2016	\$54.1

We expect to pay \$45 million of the accrual balance remaining at June 30, 2016 within the next twelve months. This amount is included in accrued restructuring costs on the Condensed Consolidated Balance Sheet at June 30, 2016. The remaining accrual of \$9 million is expected to be paid in the second half of 2017. This amount is included in other non-current liabilities on our Condensed Consolidated Balance Sheet at June 30, 2016.

Note 10 Debt and Credit Facilities

Our total debt outstanding consisted of the amounts set forth on the following table:

(In millions)	June 30, 2016	December 31, 2015 ⁽³⁾
Short-term borrowings ⁽¹⁾	\$281.0	\$ 241.9
Current portion of long-term debt ⁽²⁾	76.6	46.6
Total current debt	357.6	288.5
Term Loan A due July 2017	249.8	249.7
Term Loan A due July 2019 ⁽²⁾	1,040.9	1,058.9
6.50% Senior Notes due December 2020	422.9	422.7
4.875% Senior Notes due December 2022	419.3	418.9
5.25% Senior Notes due April 2023	419.4	419.0
4.50% Senior Notes due September 2023	440.8	432.9
5.125% Senior Notes due December 2024	419.9	419.7
5.50% Senior Notes due September 2025	396.2	396.1
6.875% Senior Notes due July 2033	445.2	445.2
Other	4.7	3.7
Total long-term debt, less current portion ⁽⁵⁾	4,259.1	4,266.8
Total debt ⁽⁴⁾⁽⁶⁾	\$4,616.7	\$ 4,555.3

⁽¹⁾ Short-term borrowings of \$281 million at June 30, 2016 are comprised primarily of \$82 million of borrowings outstanding under our U.S. accounts receivable securitization program, \$69 million of borrowings outstanding under our European accounts receivable securitization program, \$27 million outstanding under our revolving credit facility and \$103 million short-term borrowing from various lines of credit. Short-term borrowings at December 31, 2015 are comprised primarily of \$67 million of borrowings outstanding under our U.S. accounts receivable securitization program, \$77 million of borrowings outstanding under our European accounts receivable securitization program and \$98 million short-term borrowings from various lines of credit.

⁽²⁾ Term Loan A facility due July 2019 has required prepayments which are due in 2016 and are included in the current portion of long-term debt.

⁽³⁾ As of January 1, 2016, we have adopted ASU 2015-03 and ASU 2015-15 which resulted in \$36 million of unamortized debt issuance costs being reclassified from other non-current assets to long-term debt. See Note 2, "Recently Issued Accounting Standards" for additional information related to this adoption.

⁽⁴⁾ As of June 30, 2016, our weighted average interest rate on our short-term borrowings outstanding was 4.2% and on our long-term debt outstanding was 4.6%. As of December 31, 2015, our weighted average interest rate on our short-term borrowings outstanding was 3.4% and on our long-term debt outstanding was 4.6%.

⁽⁵⁾ Amounts are net of unamortized discounts and issuance costs of \$34 million as June 30, 2016 and \$36 million as of December 31, 2015.

⁽⁶⁾ Long-term debt instruments are listed in order of priority.

Lines of Credit

The following table summarizes our available lines of credit and committed and uncommitted lines of credit, including the Revolving Credit Facility discussed above, and the amounts available under our accounts receivable securitization programs.

(In millions)	June 30, 2016	December 31, 2015
Used lines of credit ⁽¹⁾⁽²⁾	\$281.0	\$ 241.9
Unused lines of credit	1,034.2	1,039.9
Total available lines of credit ⁽³⁾	\$1,315.2	\$ 1,281.8

⁽¹⁾Includes total borrowings under the accounts receivable securitization programs, the revolving credit facility and borrowings under lines of credit available to several subsidiaries.

⁽²⁾As of June 30, 2016 and December 31, 2015, there were \$55 million and \$56 million of cash held on deposit, respectively, as a compensating balance for certain short-term borrowings, which is recorded in other current assets on the Condensed Consolidated Balance Sheet. As of June 30, 2016 there was \$1 million of cash held on deposit as a compensating balance for certain long-term borrowings, which is recorded in other non-current assets on the Condensed Consolidated Balance Sheet.

⁽³⁾Of the total available lines of credit, \$902 million were committed as of June 30, 2016.

Covenants

Each issue of our outstanding senior notes imposes limitations on our operations and those of specified subsidiaries. The Second Amended and Restated Syndicated Credit Facility (“Amended Credit Facility”) contains customary affirmative and negative covenants for credit facilities of this type, including limitations on our indebtedness, liens, investments, restricted payments, mergers and acquisitions, dispositions of assets, transactions with affiliates, amendment of documents and sale leasebacks, and a covenant specifying a maximum permitted ratio of Consolidated Net Debt to Consolidated EBITDA (as defined in the Amended Credit Facility). We were in compliance with the above financial covenants and limitations at June 30, 2016.

Note 11 Derivatives and Hedging Activities

We report all derivative instruments on our Condensed Consolidated Balance Sheets at fair value and establish criteria for designation and effectiveness of transactions entered into for hedging purposes.

As a large global organization, we face exposure to market risks, such as fluctuations in foreign currency exchange rates and interest rates. To manage the volatility relating to these exposures, we enter into various derivative instruments from time to time under our risk management policies. We designate derivative instruments as hedges on a transaction basis to support hedge accounting. The changes in fair value of these hedging instruments offset in part or in whole corresponding changes in the fair value or cash flows of the underlying exposures being hedged. We assess the initial and ongoing effectiveness of our hedging relationships in accordance with our policy. We do not purchase, hold or sell derivative financial instruments for trading purposes. Our practice is to terminate derivative transactions if the underlying asset or liability matures or is sold or terminated, or if we determine the underlying forecasted transaction is no longer probable of occurring.

We record the fair value positions of all derivative financial instruments on a net basis by counterparty for which a master netting arrangement is utilized.

Foreign Currency Forward Contracts Designated as Cash Flow Hedges

The primary purpose of our cash flow hedging activities is to manage the potential changes in value associated with the amounts receivable or payable on equipment and raw material purchases that are denominated in foreign currencies in order to minimize the impact of the changes in foreign currencies. We record gains and losses on foreign currency forward contracts qualifying as cash flow hedges in other comprehensive income to the extent that these hedges are effective and until we recognize the underlying transactions in net earnings, at which time we recognize these gains and losses in cost of sales, on our Condensed Consolidated Statements of Operations. Cash flows from derivative financial instruments are classified as cash flows from operating activities in the Condensed Consolidated Statements of Cash Flows. These contracts generally have original maturities of less than 12 months.

Net unrealized after-tax gains/losses related to these contracts that were included in other comprehensive income were \$1 million gain and \$2 million loss for the three and six months ended June 30, 2016, respectively, and \$3 million and \$4 million gain for the three and six months ended June 30, 2015. The unrealized amounts in other comprehensive income will fluctuate based on changes in the fair value of open contracts during each reporting period.

We estimate that \$4 million of net unrealized derivative gains included in accumulated other comprehensive income (AOCI) will be reclassified into earnings within the next twelve months.

Foreign Currency Forward Contracts Not Designated as Hedges

Our subsidiaries have foreign currency exchange exposure from buying and selling in currencies other than their functional currencies. The primary purposes of our foreign currency hedging activities are to manage the potential changes in value associated with the amounts receivable or payable on transactions denominated in foreign currencies and to minimize the impact of the changes in foreign currencies related to foreign currency-denominated interest-bearing intercompany loans and receivables and payables. The changes in fair value of these derivative contracts are recognized in other income, net, on our Condensed Consolidated Statements of Operations and are largely offset by the remeasurement of the underlying foreign currency-denominated items indicated above. Cash flows from derivative financial instruments are classified as cash flows from investing activities in the Condensed Consolidated Statements of Cash Flows. These contracts generally have original maturities of less than 12 months.

Interest Rate Swaps

From time to time, we may use interest rate swaps to manage our fixed and floating interest rates on our outstanding indebtedness. At June 30, 2016 and December 31, 2015, we had no outstanding interest rate swaps.

Interest Rate and Currency Swaps

In 2014, in connection with exercising the \$100 million delayed draw under the senior secured credit facility, we entered into a series of interest rate and currency swaps in a notional amount of \$100 million. These swaps convert the U.S. dollar-denominated variable rate obligation under the credit facility into a fixed Brazilian real-denominated obligation. The delayed draw and the interest rate and currency swaps are used to fund expansion and general corporate purposes of our Brazilian subsidiaries.

Net Investment Hedge

During the second quarter of 2015, we entered into a series of foreign currency exchange forwards totaling €270 million. These foreign currency exchange forwards hedged a portion of the net investment in a certain European subsidiary against fluctuations in foreign exchange rates and expired in June 2015. The loss of \$4 million (\$2 million after tax) is recorded in AOCI on our Condensed Consolidated Balance Sheet.

The €400 million 4.50% notes issued in June 2015 are designated as a net investment hedge, hedging a portion of our net investment in a certain European subsidiary against fluctuations in foreign exchange rates. The fair value of the debt decreased by \$5 million as of June 30, 2016 and is reflected in long-term debt on our Condensed Consolidated Balance Sheet.

In March 2015, we entered into a series of cross-currency swaps with a combined notional amount of \$425 million, hedging a portion of the net investment in a certain European subsidiary against fluctuations in foreign exchange rates.

For derivative instruments that are designated and qualify as hedges of net investments in foreign operations, settlements and changes in fair values of the derivative instruments are recognized in unrealized net gains or loss on derivative instruments for net investment hedge, a component of AOCI, net of taxes, to offset the changes in the values of the net investments being hedged. Any portion of the net investment hedge that is determined to be ineffective is recorded in other income, net on the Condensed Consolidated Statements of Operations.

Other Derivative Instruments

We may use other derivative instruments from time to time to manage exposure to foreign exchange rates and to access to international financing transactions. These instruments can potentially limit foreign exchange exposure by swapping borrowings denominated in one currency for borrowings denominated in another currency.

Fair Value of Derivative Instruments

See Note 12, "Fair Value Measurements and Other Financial Instruments," for a discussion of the inputs and valuation techniques used to determine the fair value of our outstanding derivative instruments.

The following table details the fair value of our derivative instruments included on our Condensed Consolidated Balance Sheets.

(In millions)	Cash Flow		Net Investment Hedge		Non-Designated		Total	
	June 30, 2016	December 31, 2015	June 30, 2016	December 31, 2015	June 30, 2016	December 31, 2015	June 30, 2016	December 31, 2015
Derivative Assets								
Foreign currency forward contracts								
	\$3.2	\$ 3.2	\$—	\$ —	\$5.4	\$ 25.0	\$8.6	\$ 28.2
Interest rate and currency swaps	27.1	44.0	—	—	—	—	27.1	44.0
Total Derivative Assets ⁽²⁾	\$30.3	\$ 47.2	\$—	\$ —	\$5.4	\$ 25.0	\$35.7	\$ 72.2
Derivative Liabilities								
Foreign currency forward contracts								
	\$(3.2)	\$(1.3)	\$—	\$ —	\$(9.6)	\$(43.5)	\$(12.8)	\$(44.8)
Cross-currency swaps	—	—	(19.6)	(12.0)	—	—	(19.6)	(12.0)
Total Derivative Liabilities⁽²⁾	\$(3.2)	\$(1.3)	\$(19.6)	\$(12.0)	\$(9.6)	\$(43.5)	\$(32.4)	\$(56.8)
Net Derivatives ⁽¹⁾	\$27.1	\$ 45.9	\$(19.6)	\$(12.0)	\$(4.2)	\$(18.5)	\$3.3	\$ 15.4

⁽¹⁾Excludes €400 million of euro-denominated debt (\$441 million equivalent at June 30, 2016) and €400 million of euro-denominated debt (\$433 million equivalent at December 31, 2015), designated as a net investment hedge.

⁽²⁾The following table reconciles gross positions without the impact of master netting agreements to the balance sheet classification:

(In millions)	Other Current Assets		Other Current Liabilities		Other Non-current Assets		Other Non-current Liabilities	
	June 30, 2016	December 31, 2015	June 30, 2016	December 31, 2015	June 30, 2016	December 31, 2015	June 30, 2016	December 31, 2015
Gross position	\$14.5	\$ 36.2	\$(12.8)	\$(44.8)	\$21.2	\$ 36.0	\$(19.6)	\$(12.0)
Impact of master netting agreements	(0.4)	(24.1)	0.4	24.1	—	—	—	—
Net amounts recognized on the Condensed Consolidated Balance Sheet	\$14.1	\$ 12.1	\$(12.4)	\$(20.7)	\$21.2	\$ 36.0	\$(19.6)	\$(12.0)

The following table details the effect of our derivative instruments on our Condensed Consolidated Statements of Operations.

(In millions)	Amount of Gain (Loss) Recognized in Earnings on Derivatives			
	Three Months Ended June 30, 2016		Six Months Ended June 30, 2015	
Derivatives designated as hedging instruments:				
Cash Flow Hedges:				
Foreign currency forward contracts ⁽¹⁾	\$(1.5)	\$2.9	\$0.2	\$3.7
Interest rate and currency swaps ⁽²⁾	(13.3)	(5.2)	(24.2)	9.8
Treasury locks ⁽³⁾	—	—	0.1	0.1
Sub-total cash flow hedges	(14.8)	(2.3)	(23.9)	13.6
Fair Value Hedges:				
Interest rate swaps	0.1	0.1	0.2	0.2
Derivatives not designated as hedging instruments:				
Foreign currency forward contracts	(8.1)	(3.3)	(18.7)	34.6
Total	\$(22.8)	\$(5.5)	\$(42.4)	\$48.4

⁽¹⁾ Amounts recognized on the foreign currency forward contracts were included in cost of sales during the three and six months ended June 30, 2016 and other income, net in the three and six months ended June 30, 2015.

- (2) Amounts recognized on the interest rate and currency swaps for the three months ended June 30, 2016 and 2015, included a \$12 million loss and \$4 million loss, respectively, which is included in other income, net and interest expense of \$1 million and \$2 million, respectively, related to the hedge of the interest payments. Amounts recognized on the interest rate and currency swaps for the six months ended June 30, 2016 and 2015, included a \$22 million loss and \$13 million gain, respectively, which is included in other income, net and interest expense of \$2 million and \$3 million, respectively, related to the hedge of the interest payments.
- (3) Amounts recognized on the treasury locks were included in interest expense which is related to amortization of terminated interest rate swaps.

Note 12 Fair Value Measurements and Other Financial Instruments

Fair Value Measurements

In determining fair value of financial instruments, we utilize valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible and consider counterparty credit risk in our assessment of fair value. We determine fair value of our financial instruments based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels:

- Level 1 Inputs: Unadjusted quoted prices in active markets for identical assets or liabilities accessible to the reporting entity at the measurement date.
- Level 2 Inputs: Other than quoted prices included in Level 1 inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.
- Level 3 Inputs: Unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at measurement date.

The following table details the fair value hierarchy of our financial instruments:

(In millions)	June 30, 2016			
	Total Fair Value	Level 1	Level 2	Level 3
Cash equivalents	\$54.5	\$ 46.5	\$ 8.0	\$ —
Compensating balance deposits	\$56.2	\$ 56.2	\$ —	\$ —
Derivative financial and hedging instruments net asset				
(liability):				
Foreign currency forward contracts	\$(4.2)	\$ —	\$(4.2)	\$ —
Interest rate and currency swaps	\$27.1	\$ —	\$ 27.1	\$ —
Cross-currency swaps	\$(19.6)	\$ —	\$(19.6)	\$ —
(In millions)	December 31, 2015			
	Total Fair Value	Level 1	Level 2	Level 3
Cash equivalents	\$56.3	\$ 48.3	\$ 8.0	\$ —
Compensating balance deposits	\$56.5	\$ 56.5	\$ —	\$ —
Derivative financial and hedging instruments net asset				
(liability):				

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Foreign currency forward contracts	\$(16.5)	\$ —	\$(16.5)	\$ —
Interest rate and currency swaps	\$44.0	\$ —	\$ 44.0	\$ —
Cross-currency swaps	\$(12.0)	\$ —	\$(12.0)	\$ —

Cash Equivalents

Our cash equivalents at June 30, 2016 and December 31, 2015 consisted of commercial paper (fair value determined using Level 2 inputs) and bank time deposits (Level 1). Since these are short-term highly liquid investments with original maturities of three months or less at the date of purchase, they present negligible risk of changes in fair value due to changes in interest rates.

Compensating Balance Deposits

We have compensating balance deposits related to certain short-term and long-term borrowings. These represent bank certificates of deposits with maturities of greater than 3 months.

Derivative Financial Instruments

Our foreign currency forward contracts, foreign currency options, euro-denominated debt, interest rate and currency swaps and cross-currency swaps are recorded at fair value on our Condensed Consolidated Balance Sheets using a discounted cash flow analysis that incorporates observable market inputs. These market inputs include foreign currency spot and forward rates, and various interest rate curves, and are obtained from pricing data quoted by various banks, third party sources and foreign currency dealers involving identical or comparable instruments (Level 2).

Counterparties to these foreign currency forward contracts have at least an investment grade rating. Credit ratings on some of our counterparties may change during the term of our financial instruments. We closely monitor our counterparties' credit ratings and, if necessary, will make any appropriate changes to our financial instruments. The fair value generally reflects the estimated amounts that we would receive or pay to terminate the contracts at the reporting date.

Other Financial Instruments

The following financial instruments are recorded at fair value or at amounts that approximate fair value: (1) trade receivables, net, (2) certain other current assets, (3) accounts payable and (4) other current liabilities. The carrying amounts reported on our Condensed Consolidated Balance Sheets for the above financial instruments closely approximate their fair value due to the short-term nature of these assets and liabilities.

Other liabilities that are recorded at carrying value on our Condensed Consolidated Balance Sheets include our senior notes, except for our euro-denominated debt as discussed above. We utilize a market approach to calculate the fair value of our senior notes. Due to their limited investor base and the face value of some of our senior notes, they may not be actively traded on the date we calculate their fair value. Therefore, we may utilize prices and other relevant information generated by market transactions involving similar securities, reflecting U.S. Treasury yields to calculate the yield to maturity and the price on some of our senior notes. These inputs are provided by an independent third party and are considered to be Level 2 inputs.

We derive our fair value estimates of our various other debt instruments by evaluating the nature and terms of each instrument, considering prevailing economic and market conditions, and examining the cost of similar debt offered at the balance sheet date. We also incorporated our credit default swap rates and currency specific swap rates in the valuation of each debt instrument, as applicable.

These estimates are subjective and involve uncertainties and matters of significant judgment, and therefore we cannot determine them with precision. Changes in assumptions could significantly affect our estimates.

The table below shows the carrying amounts and estimated fair values of our total debt:

(In millions)	June 30, 2016		December 31, 2015	
	Carrying Amount	Fair Value	Carrying Amount ⁽²⁾	Fair Value
Term Loan A Facility due July 2017	\$249.8	\$249.8	\$249.7	\$249.7
Term Loan A Facility due July 2019 ⁽¹⁾	1,115.4	1,115.4	1,103.8	1,103.8
6.50% Senior Notes due December 2020	422.9	480.7	422.7	473.7
4.875% Senior Notes due December 2022	419.3	441.7	418.9	426.5
5.25% Senior Notes due April 2023	419.4	441.3	419.0	436.2
4.50% Senior Notes due September 2023 ⁽¹⁾	440.8	466.8	432.9	452.7
5.125% Senior Notes due December 2024	419.9	437.9	419.7	427.6
5.50% Senior Notes due September 2025	396.2	412.3	396.1	410.2
6.875% Senior Notes due July 2033	445.2	478.0	445.2	462.7
Other foreign loans ⁽¹⁾	166.1	166.5	165.7	165.8
Other domestic loans	121.7	121.8	81.6	81.9
Total debt	\$4,616.7	\$4,812.2	\$4,555.3	\$4,690.8

⁽¹⁾Includes borrowings denominated in currencies other than U.S. dollars.

⁽²⁾As of January 1, 2016, we have adopted ASU 2015-03 and ASU 2015-15 which resulted in \$36 million of unamortized debt issuance costs being reclassified from other assets to long-term debt. See Note 2, “Recently Issued Accounting Standards” for additional information related to this adoption.

As of June 30, 2016, we did not have any non-financial assets and liabilities, aside from contingent consideration liabilities related to acquisitions and certain equity compensation, that were carried at fair value on a recurring basis in the Condensed Consolidated Financial Statements or for which a fair value measurement was required. Included among our non-financial assets and liabilities that are not required to be measured at fair value on a recurring basis are inventories, net property and equipment, goodwill, intangible assets and asset retirement obligations. Refer to Note 16 “Stockholders’ Equity” for share based compensation and below for contingent consideration.

Contingent Consideration

As part of the Intellibot acquisition in 2015, the Company recorded contingent consideration which is classified as a liability which includes earnout fees to be paid out in cash to the seller over a 10 year period based on various percentages of net sales of the Intellibot business over the 10 year period. Since it is classified as a liability, we must remeasure to fair value each reporting period. The fair value of the liability as of June 30, 2016 was \$9 million, mostly included in non-current liabilities on the Condensed Consolidated Balance Sheet. The less than \$1 million change in fair value for the six months ended June 30, 2016 was recognized in selling, general and administrative expenses. The valuation of the contingent consideration is based on a probability weighted projection of payments over the remaining 9 year period using the deterministic method. These projections are based on our internal forecast of the business performance and since this is an unobservable input used in the fair value measurement it would be considered a Level 3 input (as defined above). In addition, the probability weighted earnout payments were present valued using factors to consider the risk associated with achievement of the sales forecast and the credit risk associated with the payments.

Credit and Market Risk

Financial instruments, including derivatives, expose us to counterparty credit risk for nonperformance and to market risk related to changes in interest or currency exchange rates. We manage our exposure to counterparty credit risk through specific minimum credit standards, establishing credit limits, diversification of counterparties, and procedures to monitor concentrations of credit risk.

We do not expect any of our counterparties in derivative transactions to fail to perform as it is our policy to have counterparties to these contracts that have at least an investment grade rating. Nevertheless, there is a risk that our exposure to losses arising out of derivative contracts could be material if the counterparties to these agreements fail to perform their obligations. We will replace counterparties if a credit downgrade is deemed to increase our risk to unacceptable levels.

We regularly monitor the impact of market risk on the fair value and cash flows of our derivative and other financial instruments considering reasonably possible changes in interest and currency exchange rates and restrict the use of derivative financial instruments to hedging activities. We do not use derivative financial instruments for trading or other speculative purposes and do not use leveraged derivative financial instruments.

We continually monitor the creditworthiness of our diverse base of customers to which we grant credit terms in the normal course of business and generally do not require collateral. We consider the concentrations of credit risk associated with our trade accounts receivable to be commercially reasonable and believe that such concentrations do not leave us vulnerable to significant risks of near-term severe adverse impacts. The terms and conditions of our credit sales are designed to mitigate concentrations of credit risk with any single customer. Our sales are not materially dependent on a single customer or a small group of customers.

Note 13 Defined Benefit Pension Plans and Other Post-Employment Benefit Plans

Effective December 31, 2015, the Company changed the approach used to calculate the service and interest components of net periodic benefit cost for certain of its International and U.S. benefit plans to provide a more precise measurement of service and interest costs. The change was applied to plans in countries where the benefit obligation was approximately \$50 million or higher, and for which a yield curve is used to measure the benefit obligation. Historically, the Company calculated the service and interest cost components utilizing a single weighted-average discount rate derived from the yield curve used to measure the benefit obligation at the beginning of the period. Going forward, the Company has elected to utilize an approach that discounts the individual expected cash flows using the applicable spot rates derived from the yield curve over the projected cash flow period. Based on current economic conditions, the Company estimates that the service cost and interest cost for these benefit plans will be reduced by approximately \$4 million in 2016. The Company has accounted for this change as a change in accounting estimate that is inseparable from a change in accounting principle and accordingly has accounted for it prospectively.

The following table shows the components of our net periodic benefit cost (income) for our defined benefit pension plans for the three and six months ended June 30, 2016 and 2015:

(In millions)	Three Months Ended June 30, 2016			Three Months Ended June 30, 2015		
	U.S.	International	Total	U.S.	International	Total
Components of net periodic benefit cost or (income):						
Service cost	\$0.1	\$ 2.5	\$2.6	\$0.1	\$ 2.5	\$2.6
Interest cost	1.9	6.5	8.4	2.1	7.7	9.8
Expected return on plan assets	(2.5)	(9.0)	(11.5)	(2.8)	(10.3)	(13.1)
Amortization of net prior service cost	—	0.1	0.1	—	—	—
Amortization of net actuarial loss	0.5	2.1	2.6	0.4	2.3	2.7
Net periodic benefit cost (income)	—	2.2	2.2	(0.2)	2.2	2.0
Cost (income) of settlement/curtailment	—	(0.3)	(0.3)	1.1	(1.0)	0.1
Total benefit cost (income)	\$—	\$ 1.9	\$1.9	\$0.9	\$ 1.2	\$2.1

	Six Months Ended June 30, 2016			Six Months Ended June 30, 2015		
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(In millions)	U.S.	International	Total	U.S.	International	Total
Components of net periodic benefit cost or						
(income):						
Service cost	\$0.2	\$ 5.0	\$5.2	\$0.4	\$ 5.0	\$5.4
Interest cost	3.8	12.9	16.7	4.3	15.3	19.6
Expected return on plan assets	(5.0)	(18.1)	(23.1)	(5.7)	(20.6)	(26.3)
Amortization of net prior service cost	—	0.1	0.1	—	—	—
Amortization of net actuarial loss	1.0	4.4	5.4	0.9	4.7	5.6
Net periodic benefit cost (income)	—	4.3	4.3	(0.1)	4.4	4.3
Cost (income) of settlement/curtailment	—	(0.2)	(0.2)	1.1	(0.7)	0.4
Total benefit cost (income)	\$—	\$ 4.1	\$4.1	\$1.0	\$ 3.7	\$4.7

29

The following table shows the components of our net periodic benefit cost for our other employee benefit plans for the three and six months period ended June 30, 2016 and 2015:

(In millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Components of net periodic benefit cost or (income):				
Service cost	\$0.1	\$0.2	\$0.1	\$0.5
Interest cost	0.4	0.7	0.9	1.5
Amortization of net prior service cost	(0.3)	(0.2)	(0.7)	(0.4)
Amortization of net actuarial loss	—	0.1	—	0.2
Net periodic benefit cost	\$0.2	\$0.8	\$0.3	\$1.8

Note 14 Income Taxes

Effective Income Tax Rate and Income Tax Provision

Our effective income tax rate for the three months ended June 30, 2016 was 59.7% and for the six months ended June 30, 2016 was 39.9%. Our effective income tax rate benefited from a favorable earnings mix with earnings in jurisdictions with lower tax rates however, the effective tax rate was negatively impacted by \$52 million related to ceasing operations in Venezuela for which we will receive minimal tax benefit. The Company recorded discrete expense of \$24 million in the second quarter of 2016 primarily related to an increase in valuation allowance against expiring foreign tax credits and increases in unrecognized tax benefits.

Our effective income tax rate for the three months ended June 30, 2015 was 34.5% and for the six months ended June 30, 2015 was 28.1%. Our effective income tax rate benefited from a favorable earnings mix with earnings in jurisdictions with low tax rates. However, the effective tax rate was negatively impacted by foreign currency exchange losses related to Venezuelan subsidiaries of approximately \$30 million for which the Company will receive no tax benefits.

Unrecognized Tax Benefits

During the six months ended June 30, 2016, we increased our unrecognized tax benefits by \$7 million primarily related to tax audits in foreign jurisdictions. We have not changed our policy with regard to the reporting of penalties and interest related to unrecognized tax benefits.

Note 15 Commitments and Contingencies

Cryovac Transaction Commitments and Contingencies

Refer to Part II, Item 8, Note 17, "Commitments and Contingencies" to our audited Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2015 for a description of the Settlement agreement (as defined therein).

Environmental Matters

We are subject to loss contingencies resulting from environmental laws and regulations, and we accrue for anticipated costs associated with investigatory and remediation efforts when an assessment has indicated that a loss is probable and can be reasonably estimated. These accruals are not reduced by potential insurance recoveries, if any. We do not believe that it is reasonably possible that our liability in excess of the amounts that we have accrued for environmental matters will be material to our Condensed Consolidated Balance Sheet or Statement of Operations. Environmental liabilities are reassessed whenever circumstances become better defined or remediation efforts and their costs can be better estimated.

We evaluate these liabilities periodically based on available information, including the progress of remedial investigations at each site, the current status of discussions with regulatory authorities regarding the methods and extent of remediation and the apportionment of costs among potentially responsible parties. As some of these issues are decided (the outcomes of which are subject to uncertainties) or new sites are assessed and costs can be reasonably estimated, we adjust the recorded accruals, as necessary. We believe that these exposures are not material to our Condensed Consolidated Balance Sheet or Statement of Operations. We believe that we have adequately reserved for all probable and estimable environmental exposures.

Guarantees and Indemnification Obligations

We are a party to many contracts containing guarantees and indemnification obligations. These contracts primarily consist of:

- product warranties with respect to certain products sold to customers in the ordinary course of business. These warranties typically provide that products will conform to specifications. We generally do not establish a liability for product warranty based on a percentage of sales or other formula. We accrue a warranty liability on a transaction-specific basis depending on the individual facts and circumstances related to each sale. Both the liability and annual expense related to product warranties are immaterial to our Condensed Consolidated Balance Sheet or Statement of Operations; and
- licenses of intellectual property by us to third parties in which we have agreed to indemnify the licensee against third party infringement claims.

Note 16 Stockholders' Equity

Repurchase of Common Stock

In July 2015, our Board of Directors authorized a repurchase program of up to \$1.5 billion of the Company's common stock, reflecting its commitment to return value to shareholders. The repurchase program has no expiration date and replaced the previously authorized program, which was terminated. Refer to Part II, Item 2, "Unregistered Sales of Equity Securities and Use of Proceeds" for further information. This program replaced our prior share repurchase program, approved by our Board of Directors in August 2007 authorizing us to repurchase in the aggregate up to 20 million shares of our outstanding common stock.

During the three and six months ended June 30, 2016, we repurchased 435,140 and 1,134,485 shares, for approximately \$20 million and \$52 million, respectively. During the three and six months ended June 30, 2015, we repurchased 1,610,287 and 2,624,434 shares, for approximately \$80 million and \$125 million, respectively. These repurchases were made under privately negotiated or open market transactions in accordance with Rule 10b5-1 of the Securities Act of 1933, as amended, and pursuant to the share repurchase program previously approved by our Board of Directors.

Additionally, during the six months ended June 30, 2015, the Company entered into an accelerated share repurchase agreement with a third-party financial institution to repurchase \$25 million of the Company's common stock. Upon completion of the transaction, the Company received a total of 546,574 shares with an average price of \$45.74 per share.

Dividends

On July 7, 2016, our Board of Directors declared a quarterly cash dividend of \$0.16 per common share. The dividend is payable on September 16, 2016 to stockholders of record at the close of business on September 2, 2016.

The dividends paid in the six months ended June 30, 2016 were recorded as a reduction to cash and cash equivalents and retained earnings on our Condensed Consolidated Balance Sheets. Our credit facility and our notes contain covenants that restrict our ability to declare or pay dividends. However, we do not believe these covenants are likely to materially limit the future payment of quarterly cash dividends on our common stock. From time to time, we may consider other means of returning value to our stockholders based on our Condensed Consolidated Statement of Operations. There is no guarantee that our Board of Directors will declare any further dividends.

Share-based Incentive Compensation

We record share-based incentive compensation expense in selling, general and administrative expenses and cost of sales on our Condensed Consolidated Statements of Operations with a corresponding credit to additional paid-in capital within stockholders' equity based on the fair value of the share-based incentive compensation awards at the date of grant. We recognize an expense or credit reflecting the straight-line recognition, net of estimated forfeitures, of the expected cost of the program. For the various PSU awards programs described below, the cumulative amount accrued to date is adjusted up or down to the extent the expected performance against the targets has improved or worsened.

The table below shows our total share-based incentive compensation expense:

(In millions)	Three Months Ended		Six Months Ended	
	June 30, 2016	2015	June 30, 2016	2015
Total share-based incentive compensation expense ⁽¹⁾	\$ 16.8	\$ 14.9	\$ 31.2	\$ 33.2

⁽¹⁾The amounts included above do not include the expense related to our U.S. profit sharing contributions made in the form of our common stock or the expense or income related to SARs and certain cash-based awards. See Stock Appreciation Rights below for further details of SARs. At June 30, 2016 and June 30, 2015, our other cash-based awards were not material to our Condensed Consolidated Balance Sheet or Statement of Operations.

President and Chief Executive Officer (CEO) 2016 Inducement Awards

On January 15, 2016, Mr. Peribere, entered into a letter agreement (the “Amendment Letter”) amending the terms of his employment letter with the Company dated August 28, 2012 to extend the term of Mr. Peribere’s employment and make certain compensation adjustments. The Amendment Letter also provides Mr. Peribere with two additional awards of restricted stock units under the Company’s 2014 Omnibus Incentive Plan (the “Inducement Awards”), one that is time-vesting and the other that is performance-vesting.

The time-vesting Inducement Award, for 75,000 shares, requires Mr. Peribere to remain in service with the Company through December 31, 2017. The grant date fair value for this award was \$39.95.

The performance-vesting Inducement Award, also for 75,000 shares, in addition to the time-vesting requirement noted above, requires that either (i) the Company’s cumulative total stockholder return (“TSR”) for 2016-2017 be in the top 25% of its peers (using the same peers and methodology under the Company’s performance stock unit (PSU) awards) and the Company’s stock price as of December 31, 2017 equals at least \$43.70/share, or (ii) the Company’s stock price as of December 31, 2017 equals at least \$55/share. The Amendment Letter provides that the stock price as of December 31, 2017 for this purpose will be determined using a 30-day arithmetic mean of closing prices. Since the award includes a market condition, compensation expense will be recognized regardless of whether the market condition is satisfied provided that the requisite service has been provided.

The grant date fair value for this award was determined using a Monte Carlo Simulation model that incorporates predictive modeling techniques using Geometric Brownian Motion and Crystal Ball’s random number generation. Other assumptions include the expected volatility of all companies included in the total shareholder return, valuation modeling of vesting payoff determination featuring both performance goals as noted above, the historical share price returns analysis of all companies included in the total shareholder return and assumes dividends are reinvested. The expected volatility was based on the historical volatility for a period of time that approximates the duration between the valuation date and the end of the performance period. The risk-free interest rate is based on the Zero-Coupon Treasury STRIP yield curve matching the term from the valuation date to the end of the performance period. Compensation expense for the performance-vesting Inducement Award is a fixed amount determined at the grant date fair value and is recognized 100% over the two-year award performance period regardless of whether shares are awarded at the end of the award performance period.

The assumptions used to calculate the grant date fair value of the performance-vesting Inducement Award are shown in the following table:

	2016 Performance-vesting Inducement Award	
Fair value on grant date	\$ 12.55	
Expected price volatility	24.6	%
Risk-free interest rate	0.92	%

The awards are described in further detail in Mr. Peribere's Amendment Letter filed with the SEC as Exhibit 10.1 to the Company's Current Report on Form 8-K filed on January 20, 2016.

Performance Share Unit ("PSU") Awards

During the first 90 days of each year, the Organization and Compensation ("O&C") Committee of our Board of Directors approves PSU awards for our executive officers and other selected key executives, which include for each officer or executive a target number of shares of common stock and performance goals and measures that will determine the percentage of the target award that is earned following the end of the three-year performance period. Following the end of the performance period, in addition to shares, participants will also receive a cash payment in the amount of the dividends (without interest) that would have been paid during the performance period on the number of shares that they have earned. Each PSU is subject to forfeiture if the recipient terminates employment with the Company prior to the end of the three-year award performance period for any reason other than death, disability or retirement. In the event of death, disability or retirement, a participant will receive a prorated payment based on such participant's number of full months of service during the award performance period, further adjusted based on the achievement of the performance goals during the award performance period. All of these PSUs are classified as equity in the Condensed Consolidated Balance Sheet.

2016 Three-year PSU Awards

In February 2016, the O&C Committee approved awards with a three-year performance period beginning January 1, 2016 to December 31, 2018 for certain executives. The O&C Committee established principal performance goals, which are (i) total shareholder return (TSR) weighted at 50%, and (ii) 2018 consolidated adjusted EBITDA margin weighted at 50%. The total number of shares to be issued for these awards can range from zero to 200% of the target number of shares.

The number of PSUs granted and the grant date fair value of the PSUs are shown in the following table:

	TSR	Adjusted EBITDA
Number of units granted	124,755	165,391
Fair value on grant date	\$57.14	\$ 43.10

The assumptions used to calculate the grant date fair value of the PSUs based on TSR are shown in the following table:

	TSR portion of the 2016 PSU Award	
Expected price volatility	26.5	%
Risk-free interest rate	0.98	%

2013 Three-year PSU Awards

In February 2016, the O&C Committee reviewed the performance results for the 2013-2015 PSUs. Performance goals for these PSUs were based on Adjusted EBITDA margins and relative TSR. The overall performance for 2013-2015 PSUs was above maximum levels and as a result these awards paid out at 200% of target or 1,074,017 units.

Stock Appreciation Rights (“SARs”)

In connection with the acquisition of Diversey, Sealed Air exchanged Diversey’s cash-settled stock appreciation rights and stock options that were unvested as of May 31, 2011 and unexercised at October 3, 2011 into cash-settled stock appreciation rights based on Sealed Air common stock. The remaining unexercised SARs were fully vested as of March 31, 2015. We continue to record expense related to these SARs until the last expiration date of these awards (February 2020). The amount of related future expense will fluctuate based on exercise and forfeiture activity and changes in the assumptions used in the Black-Scholes valuation model, including the price of Sealed Air common stock.

We recognized SARs income of less than \$1 million and expense of \$2 million in the three months ended June 30, 2016 and 2015, respectively, and expense of less than \$1 million and \$5 million for the six months ended June 30, 2016 and 2015, respectively. Cash payments due to the exercise of these SARs were less than \$2 million and \$18 million in the six months ended June 30, 2016 and 2015, respectively. As of June 30, 2016, the remaining liability for these SARs was \$2 million and is included in other current liabilities on our Condensed Consolidated Balance Sheet.

Note 17 Accumulated Other Comprehensive Income (Loss)

The following table provides details of comprehensive income (loss) for the six months ended June 30, 2016 and 2015:

(In millions)	Unrecognized Translation Adjustment	Cumulative Derivative Translation Adjustment	Unrecognized Gains (Losses) on Investment Instruments for net hedge	Unrecognized Gains (Losses) on Derivative Instruments for cash hedge	Accumulated Other Comprehensive Income (Loss), Net of Taxes
Balance at December 31, 2014	\$ (250.1)	\$ (369.9)	\$ —	\$ 6.2	\$ (613.8)
Other comprehensive income (loss) before reclassifications	3.3	(59.2)	(19.3)	10.4	(64.8)
Less: amounts reclassified from accumulated other comprehensive income (loss)	4.1	—	—	(9.6)	(5.5)
Net current period other comprehensive income (loss)	7.4	(59.2)	(19.3)	0.8	(70.3)
Balance at June 30, 2015 ⁽¹⁾⁽²⁾	\$ (242.7)	\$ (429.1)	\$ (19.3)	\$ 7.0	\$ (684.1)
Balance at December 31, 2015	\$ (266.0)	\$ (564.0)	\$ 1.7	\$ 8.3	\$ (820.0)
Other comprehensive income (loss) before reclassifications	0.2	30.5	(7.1)	(20.6)	3.0
Less: amounts reclassified from accumulated other comprehensive income (loss)	3.6	(46.0)	—	15.9	(26.5)
Net current period other comprehensive income (loss)	3.8	(15.5)	(7.1)	(4.7)	(23.5)
Balance at June 30, 2016 ⁽²⁾	\$ (262.2)	\$ (579.5)	\$ (5.4)	\$ 3.6	\$ (843.5)

- (1) For the six months ended June 30, 2015, certain foreign currency translation adjustments were misclassified within Accumulated Other Comprehensive Loss (“AOCI”) on the Consolidated Balance Sheet. Refer Note 2 “Summary of Significant Accounting Policies and Recently Issued Accounting Standards” under the heading “Reclassifications and Revisions” for further discussion of the revisions.
- (2) The ending balance in AOCI includes gains and losses on intra-entity foreign currency transactions. The intra-entity currency translation adjustment was \$(23.3) million as of June 30, 2016 and \$36.6 million as of June 30, 2015.

The following table provides detail of amounts reclassified from accumulated other comprehensive income:

(In millions)	Three Months Ended June 30,		Six Months Ended June 30,		Location of Amount Reclassified from AOCI
	2016 (1)	2015 (1)	2016 (1)	2015 (1)	
Defined benefit pension plans and other post-employment benefits:					
Prior service costs	\$0.2	\$0.2	\$0.6	\$0.4	(2)
Actuarial losses	(2.6)	(2.8)	(5.4)	(5.8)	(2)
Total pre-tax amount	(2.4)	(2.6)	(4.8)	(5.4)	
Tax (expense) benefit	0.6	0.6	1.2	1.3	
Net of tax	(1.8)	(2.0)	(3.6)	(4.1)	
Reclassifications from cumulative translation adjustment:					
Charges related to Venezuelan subsidiaries	46.0	—	46.0	—	(4)
Net gains (losses) on cash flow hedging derivatives:					
Foreign currency forward contracts	(1.5)	2.9	0.2	3.7	(3) Other income, net
Interest rate and currency swaps	(13.2)	(5.1)	(24.0)	10.0	(3) Various
Treasury locks	—	—	0.1	0.1	(3) Interest expense
Total pre-tax amount	(14.7)	(2.2)	(23.7)	13.8	
Tax (expense) benefit	4.3	1.0	7.8	(4.2)	
Net of tax	(10.4)	(1.2)	(15.9)	9.6	
Total reclassifications for the period	\$33.8	\$(3.2)	\$26.5	\$5.5	

(1) Amounts in parenthesis indicate changes to earnings (loss).

(2) These accumulated other comprehensive components are included in the computation of net periodic benefit costs within cost of sales and selling, general, and administrative expenses on the Condensed Consolidated Statement of Operations.

(3) These accumulated other comprehensive components are included in our derivative and hedging activities. See Note 11, "Derivatives and Hedging Activities" for additional details.

(4) Due to the ongoing challenging economic situation in Venezuela, the Company approved a program in the second quarter of 2016 to cease operations in the country. Refer to the Note 1 of the Condensed Consolidated Statement of Operations for further details.

Note 18 Other Income, net

The following table provides details of other income, net:

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(In millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Interest income	\$3.4	\$3.3	\$7.0	\$6.5
Net foreign exchange transaction gains	5.6	3.1	4.1	2.6
Bank fee expense	(1.5)	(1.3)	(2.9)	(2.4)
Net gain/(loss) on disposals of business and property and equipment	(0.4)	0.5	(1.5)	3.8
Other, net	(1.3)	1.4	(2.2)	2.4
Other income, net	\$5.8	\$7.0	\$4.5	\$12.9

Note 19 Net Earnings Per Common Share

The following table shows the calculation of basic and diluted net earnings per common share under the two-class method:

(In millions, except per share amounts)	Three Months		Six Months	
	Ended June 30, 2016	2015	Ended June 30, 2016	2015
Basic Net Earnings Per Common Share:				
Numerator				
Net earnings available to common stockholders	\$49.6	\$28.1	\$141.5	\$125.3
Distributed and allocated undistributed net loss to				
non-vested restricted stockholders	(0.4)	(0.3)	(1.0)	(0.9)
Distributed and allocated undistributed net earnings to				
common stockholders	49.2	27.8	140.5	124.4
Distributed net earnings - dividends paid to common				
stockholders	(31.3)	(27.2)	(56.7)	(54.5)
Allocation of undistributed net earnings to common				
stockholders	\$17.9	\$0.6	\$83.8	\$69.9
Denominator				
Weighted average number of common shares				
outstanding - basic	195.6	208.5	195.4	208.7
Basic net earnings per common share:				
Distributed net earnings to common stockholders	\$0.16	\$0.13	\$0.29	\$0.26
Allocated undistributed net earnings to common				
stockholders	0.09	—	0.43	0.34
Basic net earnings per common share:	\$0.25	\$0.13	\$0.72	\$0.60
Diluted Net Earnings Per Common Share:				
Numerator				
Distributed and allocated undistributed net earnings to				
common stockholders	\$49.2	\$27.8	\$140.5	\$124.4
Add: Allocated undistributed net earnings to unvested				
restricted stockholders	0.2	—	0.6	0.5
Less: Undistributed net earnings (loss) reallocated to				
non-vested restricted stockholders	(0.2)	—	(0.6)	(0.5)
Net earnings available to common stockholders - diluted	\$49.2	\$27.8	\$140.5	\$124.4
Denominator				

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Weighted average number of common shares				
outstanding - basic	195.6	208.5	195.4	208.7
Effect of contingently issuable shares	0.8	1.3	0.6	1.3
Effect of unvested restricted stock units	0.8	0.7	0.8	0.7
Weighted average number of common shares				
outstanding - diluted under two-class	197.2	210.5	196.8	210.7
Effect of unvested restricted stock - participating security	0.7	0.8	0.7	0.8
Weighted average number of common shares				
outstanding - diluted under treasury stock	197.9	211.3	197.5	211.5
Diluted net earnings per common share	\$0.25	\$0.13	\$0.71	\$0.59

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The information in our Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") should be read together with our Condensed Consolidated Financial Statements and related notes set forth in Item 1 of Part I of this Quarterly Report on Form 10-Q, our MD&A set forth in Item 7 of Part II of our 2015 Form 10-K and our Consolidated Financial Statements and related notes set forth in Item 8 of Part II of our 2015 Form 10-K. See Part II, Item 1A, "Risk Factors," below and "Cautionary Notice Regarding Forward-Looking Statements," above, and the information referenced therein, for a description of risks that we face and important factors that we believe could cause actual results to differ materially from those in our forward-looking statements. All amounts and percentages are approximate due to rounding and all dollars are in millions, except per share amounts or where otherwise noted. When we cross-reference to a "Note," we are referring to our "Notes to Condensed Consolidated Financial Statements," unless the context indicates otherwise.

Highlights of Financial Performance

Below are the highlights of our financial performance for the three and six months ended June 30, 2016 and 2015:

(In millions, except per share amounts)	Three Months Ended			Six Months Ended		
	June 30,		%	June 30,		%
	2016	2015	Change	2016	2015	Change
Net sales	\$1,727.0	\$1,785.0	(3.2)%	\$3,317.6	\$3,531.4	(6.1)%
Gross profit	\$661.4	\$663.8	(0.4)%	\$1,250.7	\$1,313.4	(4.8)%
As a % of net sales	38.3 %	37.2 %		37.7 %	37.2 %	
Operating profit	\$218.6	\$207.0	5.6 %	\$390.2	\$390.6	(0.1)%
As a % of net sales	12.7 %	11.6 %		11.8 %	11.1 %	
Net earnings available to common stockholders	\$49.6	\$28.1	76.5 %	\$141.5	\$125.3	12.9 %
Net earnings per common share - basic	\$0.25	\$0.13	92.3 %	\$0.72	\$0.60	20.0 %
Net earnings per common share - diluted	\$0.25	\$0.13	92.3 %	\$0.71	\$0.59	20.3 %
Weighted average number of common shares outstanding:						
Basic	195.6	208.5		195.4	208.7	
Diluted	197.9	211.3		197.5	211.5	
Non-U.S. GAAP Adjusted EBITDA ⁽¹⁾	\$305.6	\$307.6	(0.7)%	\$548.7	\$591.8	(7.3)%
Non-U.S. GAAP Adjusted EPS ⁽²⁾	\$0.65	\$0.60	8.3 %	\$1.15	\$1.14	0.9 %

⁽¹⁾See Note 4, "Segments" for a reconciliation of Non-U.S. GAAP Adjusted EBITDA to U.S. GAAP net earnings.

⁽²⁾See "Diluted Net Earnings per Common Share" for a reconciliation of our U.S. GAAP EPS to our non-U.S. GAAP adjusted EPS.

Diluted Net Earnings per Common Share

The following table presents a reconciliation of our U.S. GAAP EPS to non-U.S. GAAP adjusted EPS.

(In millions, except per share data)	Three Months Ended June 30,				Six Months Ended June 30,			
	2016		2015		2016		2015	
	Net		Net		Net		Net	
	Earnings	EPS	Earnings	EPS	Earnings	EPS	Earnings	EPS
U.S. GAAP net earnings and EPS available to								
common stockholders ⁽¹⁾	\$49.6	\$0.25	\$28.1	\$0.13	\$141.5	\$0.71	\$125.3	\$0.59
Special items ⁽²⁾	79.3	0.40	99.1	0.47	85.6	0.44	116.5	0.55
Non-U.S. GAAP adjusted net earnings and adjusted								
EPS available to common stockholders	\$128.9	\$0.65	\$127.2	\$0.60	\$227.1	\$1.15	\$241.8	\$1.14
Weighted average number of common shares								
outstanding - Diluted		197.9		211.3		197.5		211.5

⁽¹⁾ Net earnings per common share are calculated under the two-class method.

⁽²⁾ Special items include the following:

(In millions, except per share data)	Three Months		Six Months	
	Ended June 30,	Ended June 30,	Ended June 30,	Ended June 30,
	2016	2015	2016	2015
Special Items:				
Restructuring and other charges ⁽¹⁾	\$(1.6)	\$(16.9)	\$(1.6)	\$(29.6)
Other restructuring associated costs included in cost of sales and				
selling, general and administrative expenses	(5.2)	(10.7)	(11.3)	(19.2)
SARs	0.1	(1.6)	(0.2)	(4.5)
Foreign currency exchange (loss) gains related to Venezuelan				
subsidiaries	(1.1)	(30.5)	(2.8)	(29.7)
Charges related to ceasing operations in Venezuela ⁽¹⁾	(52.1)	—	(52.1)	—
Loss on debt redemption and refinancing activities	—	(110.8)	—	(111.3)
Gain (loss) on sale of North American foam trays and absorbent				
pads business and European food trays business	—	29.2	(1.6)	29.2
Gain (loss) related to the sale of other businesses, investments and				
property, plant and equipment	(0.4)	5.3	(2.1)	8.8
Other special items ⁽²⁾	1.5	(0.1)	0.2	(1.7)
Pre-tax impact of special items	(58.8)	(136.1)	(71.5)	(158.0)

Tax impact of special items	(20.5)	37.0	(14.1)	41.5
Net impact of special items	\$(79.3)	\$(99.1)	\$(85.6)	\$(116.5)
Weighted average number of common shares outstanding - Diluted	197.9	211.3	197.5	211.5
Earnings per share impact from special items	\$(0.40)	\$(0.47)	\$(0.44)	\$(0.55)

(1) Due to the ongoing challenging economic situation in Venezuela, the Company approved a program in the second quarter of 2016 to cease operations in the country. Refer to Note 1 of the Condensed Consolidated Statement of Operations for further details.

(2) Other special items for the three and six months ended June 30, 2016 primarily included a reduction in a non-income tax reserve following the completion of a governmental audit partially offset by legal fees associated with restructuring and acquisitions. Other special items for the three and six months ended June 30, 2015 primarily included legal fees associated with restructuring and acquisitions.

38

Our U.S. GAAP and non-U.S. GAAP income taxes are as follows:

Three Months Ended		Six Months	
June 30,		Ended	
2016	2015	2016	2015
Effective			