SEALED AIR CORP/DE
Form 10-Q
August 06, 2014

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2014

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	**65-0654331**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification Number)**
200 Riverfront Boulevard Elmwood Park, New Jersey	**07407-1033**
(Address of principal executive offices)	**(Zip Code)**

Registrant s telephone number, including area code: (201) 791-7600

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 x 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 x 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 x	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 x

There were 212,022,616 shares of the registrant s common stock, par value $0.10 per share, issued and outstanding as of July 31, 2014.

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SEALED AIR CORPORATION AND SUBSIDIARIES

FORM 10-Q

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2014

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Cautionary Notice Regarding Forward-Looking Statements

This report contains forward-looking statements within the meaning 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. Forward-looking statements can be identified by such words as anticipates, believes, plan, assumes, could, should, estimates, expects, intends, potential, seek, predict, may, will 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. These statements reflect our beliefs and expectations as to future events and trends affecting our business, our condensed consolidated financial condition and results of operations. These forward-looking statements are based upon our current expectations concerning future events and discuss, among other things, anticipated future financial performance and future business plans. Examples of these forward-looking statements include projections regarding our 2014 outlook and other projections relating to our financial performance in Part I, Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations (MD&A).

The following are important factors that we believe could cause actual results to differ materially from those in our forward-looking statements: the expected cash tax benefits associated with the Settlement agreement (as defined in our 2013 Annual Report on Form 10-K); 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, including in Venezuela; the success of our financial growth, profitability, cash generation and manufacturing strategies and our cost reduction and productivity efforts; the effects of animal and food-related health issues; pandemics; consumer preferences; environmental matters; regulatory actions and legal matters; and the other information referenced below in Part II, Item 1A, Risk Factors. Except as required by the federal securities laws, we undertake no obligation to update or revise any forward-looking statement, whether as a result of new information, future events 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 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 adjusted income tax rate or provision (Tax Rate). The Tax Rate is a 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. The 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 Tax Rate.

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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.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

SEALED AIR CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(In millions, except share data)

	June 30, 2014 (unaudited)	December 2013
ASSETS		
Current assets:		
Cash and cash equivalents	356.5	992.4
Trade receivables, net of allowance for doubtful accounts of $33.2 in 2014 and $31.4 in 2013	961.0	1,126.4
Other receivables	371.1	147.9
Inventories	783.5	688.4
Deferred taxes	100.9	377.7
Prepaid expenses and other current assets	314.4	84.9
Total current assets	2,887.4	3,417.7
Property and equipment, net	1,099.7	1,134.5
Goodwill	3,123.1	3,114.6
Intangible assets, net	961.2	1,016.9
Non-current deferred taxes	80.6	63.1
Other non-current assets	380.3	387.4
Total assets	$ 8,532.3	$ 9,134.2
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Short-term borrowings	644.0	81.6
Current portion of long-term debt	69.8	201.5
Accounts payable	592.0	524.5
Deferred taxes	9.7	8.1
Settlement agreement and related accrued interest		925.1
Accrued restructuring costs	54.3	69.6
Other current liabilities	847.7	890.4
Total current liabilities	2,217.5	2,700.8
Long-term debt, less current portion	4,054.9	4,116.4
Non-current deferred taxes	231.6	278.6

Other non-current liabilities	612.7	647.9
Total liabilities	7,116.7	7,743.7
Commitments and contingencies		
Stockholders equity:		
Preferred stock, $0.10 par value per share, 50,000,000 shares authorized; no shares issued in 2014 and 2013		
Common stock, $0.10 par value per share, 400,000,000 shares authorized; shares issued: 224,595,650 in 2014 and 205,707,580 in 2013; shares outstanding; 211,995,301 in 2014 and 196,198,672 in 2013	22.5	20.6
Common stock reserved for issuance related to Settlement agreement, $0.10 par value per share, no shares in 2014 and 18,000,000 shares in 2013		1.8
Additional paid-in capital	1,721.7	1,695.3
Retained earnings	352.6	276.4
Common stock in treasury, 12,600,349 shares in 2014 and 9,508,908 shares in 2013	(427.2)	(327.6)
Accumulated other comprehensive loss, net of taxes:		
Unrecognized pension items	(143.8)	(146.2)
Cumulative translation adjustment	(111.3)	(134.4)
Unrealized (losses) gains on derivative instruments	(0.2)	3.2
Total accumulated other comprehensive loss, net of taxes	(255.3)	(277.4)
Total parent company stockholders equity	1,414.3	1,389.1
Noncontrolling interests	1.3	1.4
Total stockholders equity	1,415.6	1,390.5
Total liabilities and stockholders equity	$ 8,532.3	$ 9,134.2

See accompanying Notes to Condensed Consolidated Financial Statements.

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SEALED AIR CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

(In millions, except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Net sales	$ 1,973.6	$ 1,937.4	$ 3,801.3	$ 3,766.3
Cost of sales	1,293.6	1,278.3	2,480.3	2,495.0
Gross profit	680.0	659.1	1,321.0	1,271.3
Selling, general and administrative expenses	459.8	449.9	907.2	884.6
Amortization expense of intangible assets acquired	31.2	31.4	62.4	63.3
Stock appreciation rights expense	1.7	0.1	2.2	18.1
Costs related to the acquisition and integration of Diversey	0.9		1.8	0.4
Restructuring and other charges	14.1	11.9	20.2	11.7
Operating profit	172.3	165.8	327.2	293.2
Interest expense	(73.9)	(89.7)	(152.4)	(180.5)
Foreign currency exchange (losses) related to Venezuelan subsidiaries	0.2	(0.5)	(14.8)	(13.6)
Gain from Claims Settlement			21.1	
Loss on debt redemption	(0.4)	(0.1)	(0.8)	(32.4)
Other (expense), net	(4.8)	(3.3)	(4.4)	(3.0)
Earnings from continuing operations before income tax provision	93.4	72.2	175.9	63.7
Income tax provision	33.1	17.9	43.8	8.7
Net earnings from continuing operations	60.3	54.3	132.1	55.0
Net earnings from discontinued operations		2.0		4.0
Net earnings available to common stockholders	$ 60.3	$ 56.3	$ 132.1	$ 59.0
Net earnings per common share:				
Basic:				
Continuing operations	$ 0.28	$ 0.28	$ 0.63	$ 0.28
Discontinued operations		0.01		0.02
Net earnings per common share - basic	$ 0.28	$ 0.29	$ 0.63	$ 0.30

Diluted:								
Continuing operations	$	0.28	$	0.25	$	0.61	$	0.26
Discontinued operations				0.01				0.02
Net earnings per common share - diluted	$	0.28	$	0.26	$	0.61	$	0.28
Dividends per common share	$	0.13	$	0.13	$	0.26	$	0.26
Weighted average number of common shares outstanding:								
Basic		213.5		194.8		210.1		194.3
Diluted		214.7		213.6		214.6		213.2

See accompanying Notes to Condensed Consolidated Financial Statements.

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SEALED AIR CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(Unaudited)

(In millions)

	Three Months Ended June 30, 2014	Three Months Ended June 30, 2013	Six Months Ended June 30, 2014	Six Months Ended June 30, 2013
Net earnings available to common stockholders	$ 60.3	$ 56.3	$ 132.1	$ 59.0
Other comprehensive income (loss), net of taxes:				
Recognition of deferred pension items, net of taxes of $(0.3) for the three months ended June 30, 2014, $(0.2) for the three months ended June 30, 2013, zero for the six months ended June 30, 2014 and $(1.7) for the six months ended June 30, 2013	0.6	0.9	2.4	6.0
Foreign currency translation adjustments	20.7	(95.2)	23.1	(117.1)
Unrealized (losses) gains on derivative instruments, net of taxes of $0.4 for the three months ended June 30, 2014, $(1.0) for the three months ended June 30, 2013, $1.2 for the six months ended June 30, 2014 and $(1.5) for the six months ended June 30, 2013	(1.7)	3.2	(3.4)	3.3
Comprehensive income (loss), net of taxes	$ 79.9	$ (34.8)	$ 154.2	$ (48.8)

See accompanying Notes to Condensed Consolidated Financial Statements.

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SEALED AIR CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(In millions)

	Six months ended June 30, 2014	Six months ended June 30, 2013
Net earnings available to common stockholders from continuing operations	$ 132.1	$ 55.0
Adjustments to reconcile net earnings to net cash (used in) provided by operating activities from continuing operations:		
Depreciation and amortization	138.1	146.4
Share-based incentive compensation	26.4	14.9
Profit sharing expense	19.0	19.9
Costs related to the acquisition and integration of Diversey	1.8	0.4
Amortization of senior debt related items and other	4.2	9.8
Non-cash change in forward contracts	(4.5)	4.8
Loss on debt redemption	0.8	32.4
Impairment on equity method investment	5.9	
Asset impairment	4.2	
Provisions for bad debt	3.6	6.5
Provisions for inventory obsolescence	5.6	4.0
Gain from Claims Settlement	(21.1)	
Deferred taxes, net	7.0	(42.4)
Net loss (gain) on disposals of property and equipment and other	0.2	(0.6)
Changes in operating assets and liabilities:		
Trade receivables, net	(56.1)	(74.1)
Inventories	(99.6)	(114.9)
Other assets	(17.0)	(62.7)
Accounts payable	67.2	88.3
Settlement agreement and related accrued interest	(929.7)	24.1
Other liabilities	(50.4)	(51.8)
Net cash (used in) provided by operating activities from continuing operations	(762.3)	60.0
Cash flows from investing activities from continuing operations:		
Capital expenditures for property and equipment	(55.1)	(50.8)
Proceeds from sales of property and equipment	1.2	7.2
Other investing activities	(0.1)	0.3
Net cash used in investing activities from continuing operations	(54.0)	(43.3)

Cash flows from financing activities from continuing operations:		
Net proceeds from short-term borrowings	562.0	41.7
Payments of long-term debt	(199.8)	(455.6)
Proceeds from long-term debt		425.0
Dividends paid on common stock	(56.0)	(50.9)
Acquisition of common stock for tax withholding obligations under our 2005 contingent stock plan	(2.8)	(3.9)
Repurchase of common stock	(130.0)	
Payments of debt issuance costs		(7.7)
Payments for debt extinguishment costs		(26.2)
Net cash provided by (used in) financing activities from continuing operations	173.4	(77.6)
Effect of foreign currency exchange rate changes on cash and cash equivalents	7.0	19.4
Net change in cash and cash equivalents from continuing operations	(635.9)	(41.5)
Net cash used in operating activities from discontinued operations		2.4
Net cash used in investing activities from discontinued operations		(0.4)
Net cash used in financing activities from discontinued operations		
Net change in cash and cash equivalents from discontinued operations		2.0
Cash and cash equivalents:		
Balance, beginning of period	992.4	679.6
Net change during the period	(635.9)	(39.5)
Balance, end of period	$ 356.5	$ 640.1
Supplemental Cash Flow Information:		
Interest payments, net of amounts capitalized	$ 563.1	$ 141.6
Income tax payments	$ 41.2	$ 56.5
Stock appreciation rights payments (less amounts included in restructuring payments)	$ 17.0	$ 27.8
Restructuring payments	$ 49.9	$ 45.0
Non-cash items:		
Transfers of shares of our common stock from treasury for our 2013 and 2012 profit-sharing plan contributions	$ 33.2	$ 18.6
Transfer of shares of our common stock reserved as part of the funding of the Settlement agreement	$ 1.8	$

See accompanying Notes to Condensed Consolidated Financial Statements.

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SEALED AIR CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(Unaudited)

(Amounts are in millions, except per share data)

(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, employees 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, o 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, 2014 and our condensed consolidated statements of operations for the three and six months ended June 30, 2014 and 2013 have been made. The results set forth in our condensed consolidated statements of operations for the three and six months ended June 30, 2014 and in our condensed consolidated statements of cash flows for the six months ended June 30, 2014 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, had no impact on our condensed consolidated financial condition, results of operations and 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 ending December 31, 2013 as filed with the SEC on February 28, 2014 (2013 Form 10-K) and with the information contained in other publicly-available filings with the SEC.

On December 6, 2013, we completed the sale of our rigid medical packaging business. The operating results for the rigid medical packaging business were reclassified to discontinued operations, net of tax, on the condensed consolidated statements of operations for the three and six months ended June 30, 2013. Prior year disclosures in the condensed consolidated statement of cash flows and the notes to condensed consolidated financial statements have been revised accordingly. See Note 3, Divestiture for further information.

Effective as of January 1, 2014, we changed our segment reporting structure. See Note 4, Segments for further information.

(2) Recently Issued Accounting Standards

In April 2014, the FASB issued ASU 2014-08, Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity, (ASU 2014-08). Under ASU 2014-08, only disposals representing a strategic shift in operations that have a major effect on the Company s operations and financial results should be presented as discontinued operations. Additionally, ASU 2014-08 requires expanded disclosures about discontinued operations that will provide financial statement users with more information about the assets, liabilities, income, and expenses of discontinued operations. The amendments in ASU 2014-08 are effective for fiscal years, and interim periods within those years, beginning after December 15, 2014. However, ASU 2014-08 should not be applied to a component that is classified as held for sale before the effective date even if the component is disposed of after the effective date. Early adoption is permitted, but only for disposals (or classifications as held for sale) that have not been reported in financial statements previously issued. The effects of ASU 2014-08 will depend on any future disposals by the Company.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers, (ASU 2014-09). 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. We are currently in the process of evaluating this new standard update.

In June 2014, the FASB issued ASU 2014-12, Compensation-Stock Compensation (Topic 718): Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period, (ASU 2014-12). ASU 2014-12 requires that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition. As such, the performance target should not be reflected in estimating the grant-date fair value of the award. Prior the issuance of ASU 2014-12, U.S. GAAP did not contain explicit guidance on how to account for those share-based payments. Many reporting entities accounted for performance targets that could be achieved after the requisite service period as performance conditions that affect the vesting of the award and, therefore, did not reflect the performance target in the estimate of the grant-date fair value of the award. Other reporting entities treated those performance targets as nonvesting conditions that affected the grant-date fair value of the award. We currently treat performance targets that affect vesting as a performance condition and as such, it is not included in the grant-date fair value. Therefore, the impact upon adoption would not be material to our consolidated financial position or results of operations. The amendments in ASU 2014-12 are effective for fiscal years and interim periods within those years, beginning after December 15, 2015. Earlier application is permitted.

(3) Divestiture

On December 6, 2013, we completed the sale of the rigid medical packaging business to a private equity firm, Mason Wells Buyout Fund III, L.P. for gross proceeds of $125 million, including certain purchase price adjustments. Net proceeds were $122 million. We recorded a pre-tax gain on the sale of $40 million ($23 million net of tax) which is included in net earnings in the consolidated statement of operations for the year ended December 31, 2013.

The rigid medical packaging business was included in our Other Category and was comprised of: Nelipak Holdings, located in the Netherlands and Ireland, Alga Plastics, located in the U.S. and ATE located in Costa Rica.

The results of the rigid medical packaging business are presented as discontinued operations, net of tax, in the condensed consolidated statements of operations for the three months and six months ended June 30, 2013 and cash flows and related disclosures and, as such, have been excluded from both continuing operations and segment results for all periods presented. The operating results of the retained portion of the previously reported Medical Applications business continue to be part of our Other Category.

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Following is selected financial information included in net earnings from discontinued operations:

	Three Months Ended June 30, 2013	Six Months Ended June 30, 2013
Net sales	$ 24.2	$ 48.1
Operating profit	$ 3.1	$ 5.9
Earnings before income tax provision	$ 3.0	$ 5.7
Income tax provision	1.0	1.7
Net earnings from discontinued operations, net of tax	$ 2.0	$ 4.0

(4) Segments

Effective as of January 1, 2014, we changed our segment reporting structure in order to reflect the way management now makes operating decisions and manages the growth and profitability of the business. This change corresponds with management s current approach of allocating costs and resources and assessing the performance of our segments. We report our segment information in accordance with the provisions of Financial Accounting Standards Board Accounting Standards Codification Topic 280, Segment Reporting, (FASB ASC Topic 280). There has been no change in our total condensed consolidated financial condition or results of operations previously reported as a result of the change in our segment structure. There were no changes to the reportable segment assets as a result of the change in segment reporting.

As a result, the Company s new 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. The Medical Applications and New Ventures businesses were previously included in the Company s Other Category. Corporate which is included in Other includes certain costs that are not allocated to the reportable segments, primarily consisting of corporate overhead costs, including administrative functions and cost recovery variances not allocated to the reportable segments from global functional expenses.

Other also includes all items the Company categorizes as special or unusual items that are reported on the condensed consolidated statements of operations. These special items primarily consist of restructuring and other associated costs, expenses related to stock appreciation rights (SARs), which were issued in connection with the acquisition of Diversey in 2011, losses on debt redemptions and foreign currency exchange gains/losses related to Venezuelan subsidiaries.

As of January 1, 2014, the Company also changed the segment performance measure in which the chief operating decision maker (CODM), the Company s Chief Executive Officer, assesses segment performance and makes allocation decisions by segment from operating profit (a U.S. GAAP financial measure) to Adjusted EBITDA (a non-U.S. GAAP financial measure). Adjusted EBITDA is defined as Earnings before Interest Expense, Taxes, Depreciation and Amortization, adjusted to exclude the impact of special items. See Use of Non-U.S. GAAP Information above for further information of our use of non-U.S. GAAP measures.

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 it is not included in the segment performance metric Adjusted EBITDA since restructuring and other charges is categorized as a special item as discussed above. The accounting policies of the reportable segments and Other are the same as those applied to the condensed consolidated financial statements.

The changes in the Company s segment structure and segment performance measure better provides the CODM with information to assess segment performance and to make resource and allocation decisions, as the new segment structure and performance measure

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reflect the current management of our businesses. Accordingly, the new measure will also assist our investors by providing them with a better understanding of the segment so that the user can make a more informed decision about the Company, which is consistent with FASB ASC Topic 280.

The following tables show net sales and Adjusted EBITDA by our segment reporting structure:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	**2013**	**2014**	**2013**
Net Sales:				
Food Care	$ 962.1	$ 947.0	$ 1,866.4	$ 1,850.1
As a % of Total Company net sales	*48.7%*	*48.9%*	*49.1%*	*49.1%*
Diversey Care	581.3	570.0	1,086.4	1,082.9
As a % of Total Company net sales	*29.5%*	*29.4%*	*28.6%*	*28.8%*
Product Care	408.7	394.8	802.5	782.0
As a % of Total Company net sales	*20.7%*	*20.4%*	*21.1%*	*20.8%*
Total Reportable Segments Net Sales	**1,952.1**	**1,911.8**	**3,755.3**	**3,715.0**
Other	21.5	25.6	46.0	51.3
Total Company Net Sales	**$ 1,973.6**	**$ 1,937.4**	**$ 3,801.3**	**$ 3,766.3**
Adjusted EBITDA:				
Food Care	$ 159.4	$ 148.2	$ 318.9	$ 293.9
Adjusted EBITDA Margin	*16.6%*	*15.6%*	*17.1%*	*15.9%*
Diversey Care	72.3	73.3	116.8	115.9
Adjusted EBITDA Margin	*12.4%*	*12.9%*	*10.8%*	*10.7%*
Product Care	70.8	61.3	140.9	123.9
Adjusted EBITDA Margin	*17.3%*	*15.5%*	*17.6%*	*15.8%*
Total Reportable Segments Adjusted EBITDA	**302.5**	**282.8**	**576.6**	**533.7**
Other	(18.4)	(20.6)	(40.3)	(40.1)
Non-U.S. GAAP Total Company Adjusted EBITDA	**$ 284.1**	**$ 262.2**	**$ 536.3**	**$ 493.6**
Adjusted EBITDA Margin	*14.4%*	*13.5%*	*14.1%*	*13.1%*

The following table shows a reconciliation of Non-U.S. GAAP Total Company Adjusted EBITDA to U.S. GAAP net earnings from continuing operations:

	Three Months Ended June 30,	Six Months Ended June 30,

	2014	2013	2014	2013
Non-U.S. GAAP Total Company Adjusted EBITDA	**$ 284.1**	**$ 262.2**	**$ 536.3**	**$ 493.6**
Depreciation and amortization [1]	(81.6)	(81.8)	(164.4)	(161.3)
Special items [2]:				
Write-down of non-strategic assets included in depreciation and amortization		5.0	(0.1)	5.0
Restructuring and other charges[3]	(14.1)	(11.9)	(20.2)	(11.7)
Other restructuring associated costs included in cost of sales and selling general and administrative expenses	(10.8)	(10.7)	(15.4)	(16.6)
SARs	(1.7)	(0.1)	(2.2)	(18.1)
Costs related to the acquisition and integration of Diversey	(0.9)		(1.8)	(0.4)
Foreign currency exchange (losses) related to Venezuelan subsidiaries	0.2	(0.5)	(14.8)	(13.6)
Loss on debt redemption	(0.4)	(0.1)	(0.8)	(32.4)
Gain from Claims Settlement in 2014 and related cost	(0.5)	(0.2)	20.6	(0.3)
Other expense, net	(7.0)		(8.9)	
Interest expense	(73.9)	(89.7)	(152.4)	(180.5)
Income tax provision	33.1	17.9	43.8	8.7
U.S. GAAP net earnings from continuing operations	**$ 60.3**	**$ 54.3**	**$ 132.1**	**$ 55.0**

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(1) Depreciation and amortization including share-based incentive compensation expense by segment is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Food Care	$ 27.1	$ 29.2	$ 59.1	$ 59.4
Diversey Care	29.8	33.4	62.1	68.1
Product Care	9.9	9.7	20.5	19.4
Total reportable segments	**66.8**	**72.3**	**141.7**	**146.9**
Other	14.8	9.5	22.7	14.4
Total Company depreciation and amortization	**$ 81.6**	**$ 81.8**	**$ 164.4**	**$ 161.3**

(2) Includes items that were considered unusual or special items. See Non-U.S. GAAP information above for further information.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Food Care	$ 7.0	$ 4.9	$ 11.1	$ 3.5
Diversey Care	3.4	5.7	3.8	4.9
Product Care	3.5	1.2	5.0	3.2
Total reportable segments	**13.9**	**11.8**	**19.9**	**11.6**
Other	0.2	0.1	0.3	0.1
Total Company restructuring and other charges	**$ 14.1**	**$ 11.9**	**$ 20.2**	**$ 11.7**

Allocation of Goodwill and Identifiable Intangible Assets to Reportable Segments

Our management views goodwill and identifiable intangible assets as corporate assets, so we do not allocate their balances to the reportable segments. However, we are required to allocate their balances to each reporting unit to perform our annual goodwill impairment review, which we do during the fourth quarter of the year. There was no change to the allocation of goodwill by reporting unit as a result of the change in our reportable segment structure discussed above. See Note 7, Goodwill and Identifiable Intangible Assets, for the allocation of goodwill and identifiable intangible assets and the changes in their balances in the six months ended June 30, 2014 by our segment reporting structure.

(5) Inventories

The following table details our inventories and the reduction of certain inventories to a LIFO basis:

	June 30, 2014	December 3 2013
Inventories (at FIFO, which approximates replacement value):		
Raw materials	$ 116.6	$ 116.6
Work in process	127.0	110.9
Finished goods	590.1	514.5
Subtotal (at FIFO)	833.7	742.0
Reduction of certain inventories to LIFO basis	(50.2)	(53.6)
Total	$ 783.5	$ 688.4

We determine the value of some of our non-equipment U.S. inventories by the last-in, first-out, or LIFO, inventory method. U.S. inventories determined by the LIFO method were $122 million at June 30, 2014 and $101 million at December 31, 2013.

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(6) Property and Equipment, net

The following table details our property and equipment, net:

	June 30, 2014	December 31, 2013
Land and improvements	$ 126.3	$ 135.8
Buildings	734.9	729.6
Machinery and equipment	2,500.6	2,488.4
Other property and equipment	170.1	164.8
Construction-in-progress	114.2	107.1
Property and equipment, gross	3,646.1	3,625.7
Accumulated depreciation and amortization	(2,546.4)	(2,491.2)
Property and equipment, net	$ 1,099.7	$ 1,134.5

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Interest cost capitalized	$ 1.2	$ 1.3	$ 2.5	$ 2.7
Depreciation and amortization expense for property and equipment	$ 38.5	$ 43.1	$ 75.6	$ 83.1

(7) Goodwill and Identifiable Intangible Assets

Goodwill

The following table shows our goodwill balances by our segment reporting structure. See Note 4, Segments for further details of our new segment 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, 2014, we did not identify any changes in circumstances that would indicate the carrying value of goodwill may not be recoverable.

	Carrying Value at December 31, 2013	Accumulated Impairment	Carrying Value at December 31, 2013	Impact of Foreign Currency Translation	Carrying Value at June 30, 2014	Accumulated Impairment	Carrying Value at June 30, 2014

				Six Months Ended June 30, 2014			
Food Care	$ 833.7	$ (208.0)	$ 625.7	$ 5.8	$ 839.5	$ (208.0)	$ 631.5
Diversey Care	1,994.1	(883.0)	1,111.1	2.2	1,996.3	(883.0)	1,113.3
Product Care	1,372.8		1,372.8	0.2	1,373.0	0.0	1,373.0
Other	5.0		5.0	0.3	5.3	0.0	5.3
Total	$ 4,205.6	$ (1,091.0)	$ 3,114.6	$ 8.5	$ 4,214.1	$ (1,091.0)	$ 3,123.1

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Identifiable Intangible Assets

The following tables summarize our identifiable intangible assets with definite and indefinite useful lives. We have determined that substantially all of the trademarks and trade names included below had indefinite useful lives as of June 30, 2014. As of June 30, 2014, there were no impairment indicators present.

	June 30, 2014				December 31, 2013			
	Gross Carrying Value	Accumulated Amortization	Accumulated Impairment	Net	Gross Carrying Value	Accumulated Amortization	Accumulated Impairment	Net
Customer relationships	$ 955.7	$ (198.2)	(148.9)	$ 608.6	$ 961.3	$ (171.2)	$ (148.9)	$ 641.2
Trademarks and trade names	881.5	(0.1)	(630.2)	251.2	881.5	(0.1)	(630.2)	251.2
Technology	258.2	(152.8)	(22.2)	83.2	252.6	(128.0)	(22.2)	102.4
Contracts	44.3	(26.1)		18.2	44.0	(21.9)		22.1
Total	$ 2,139.7	$ (377.2)	$ (801.3)	$ 961.2	$ 2,139.4	$ (321.2)	$ (801.3)	$ 1,016.9

The following table shows the remaining estimated future amortization expense at June 30, 2014:

Year	Amount
2014	$ 53.3
2015	88.7
2016	84.8
2017	79.3
2018	70.2
Thereafter	333.8
Total	$ 710.1

(8) Accounts Receivable Securitization Programs

U.S. Accounts Receivable Securitization Program

We and a group of our U.S. subsidiaries maintain an accounts receivable securitization program with two banks and issuers of commercial paper administered by these banks. As of June 30, 2014, the maximum purchase limit for receivable interests was $125 million, subject to the availability limits described below.

The amounts available from time to time under this program may be less than $125 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 three months and six months ended June 30, 2014, the level of eligible assets available under the program was lower than $125 million primarily due to certain required reserves against our receivables. As a result, the amount available to us under the program was $92 million at June 30, 2014. 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.

This program expires annually in September and is renewable. We intend to extend the expiration date of the program in September 2014 for an additional year.

European Accounts Receivable 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. As of June 30, 2014, the maximum purchase limit for receivable interests was 95 million, ($129 million equivalent at June 30, 2014) subject to availability limits. The terms and provisions of this program are similar to our U.S. program discussed above. As of June 30, 2014, the amount available under this program was 95 million ($129 million equivalent as of June 30, 2014).

The European program is structured to be a securitization of certain trade receivables that are originated by certain of our European subsidiaries. We do not have an equity interest in the SPV. However, since we are considered the primary beneficiary of the SPV, it meets the criteria to be classified as a variable interest entity and is included 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 are classified as short-term borrowings on our consolidated balance sheet.

This program expires annually in February and is renewable. We intend to extend the expiration date of the program in February 2015 for an additional year.

Utilization of Our Accounts Receivable Securitization Programs

Neither program discussed above qualifies for sale accounting under FASB ASC 860, Transfers and Servicing, and as such, any borrowings are accounted for as secured short-term borrowings on the condensed consolidated balance sheet. Financing costs associated with the programs are recorded as interest expense and other expense.

In connection with the funding of the payment of the Settlement agreement on February 3, 2014, we utilized both our U.S. and European programs. During the first six months of 2014, we utilized $88 million available to us under the U.S. program and 95 million ($129 million equivalent as of June 30, 2014) available to us under the European program. The total amount of borrowings under the programs was $217 million and the trade receivables that serve as collateral for these borrowings were reclassified from trade receivables, net to other current assets and included in prepaid expenses and other current assets on the condensed consolidated balance sheet as of June 30, 2014 in accordance with FASB ASC 860. The weighted average interest rate for these borrowings was 1.22% at June 30, 2014. 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 approximately $1 million in the six months ended June 30, 2014.

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, 2014.

As of December 31, 2013, we had no amounts outstanding under either the U.S. or European program, and we did not utilize these programs during 2013.

(9) Restructuring Activities

The following table details our restructuring activities.

	Three Months Ended June 30,						**Six Months Ended June 30,**					
	2014			**2013**			**2014**			**2013**		
	IOP	**EQIP**	**Total**	**IOP**	**EQIP**	**Total**	**IOP**	**EQIP**	**Total**	**IOP**	**EQIP**	**Total**
Other associated costs	$ 0.6	$ 7.9	$ 8.5	$ 3.2	$ 1.8	$ 5.0	$ 2.0	$ 10.6	$ 12.6	$ 8.5	$ 1.8	$ 10.3
Restructuring charges	4.2	9.9	14.1	(4.8)	16.7	11.9	5.5	14.7	20.2	(5.0)	16.7	11.7

Total	$ 4.8	$ 17.8	$ 22.6	$ (1.6)	$ 18.5	$ 16.9	$ 7.5	$ 25.3	$ 32.8	$ 3.5	$ 18.5	$ 22.0

Earnings Quality Improvement Program (EQIP)

In May 2013, we announced the commencement of EQIP, which is an initiative to deliver meaningful cost savings and network optimization. The costs associated with this plan consist primarily of (i) a reduction in headcount, which is expected to be approximately 750-900 and other costs associated with divisional realignment and connected profitability improvement programs, including severance and termination benefits for employees, expected to be approximately $105 million to $120 million and (ii) costs and capital expenditures associated with incremental supply chain network optimization projects, including facility relocation and closures, expected to be approximately $85 million to $90 million. We currently estimate that we will incur total costs of approximately $190 million to $210 million in connection with implementation of this plan, including capital expenditures of approximately $50 million to $55 million. The plan is expected to be substantially completed by the end of 2016.

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The other associated costs included in the table above primarily consist of consulting and rebranding costs incurred in connection with the rebranding of the Company and its divisions, which were included in selling, general and administrative expenses on the condensed consolidated statements of operations for the three and six months ended June 30, 2014. In addition, other associated costs in the three months ended June 30, 2014 include $4 million for an asset impairment in Europe, which was included in cost of sales on the condensed consolidated statements of operations. The restructuring charges included in the table above primarily consist of termination and benefit costs.

The restructuring accrual, spending and other activity in the six months ended June 30, 2014 and the accrual balance remaining at June 30, 2014 related to this program were as follows:

EQIP restructuring accrual at December 31, 2013	$ 55.9
Accrual and accrual adjustments	14.7
Cash payments during 2014	(28.0)
Effect of changes in foreign currency exchange rates	0.3
EQIP restructuring accrual at June 30, 2014	$ 42.9

Cumulative cash payments made in connection with this program, including associated costs through June 30, 2014, were $72 million. We expect to pay $38 million of the accrual balance remaining at June 30, 2014 within the next twelve months. This amount is included in accrued restructuring costs on the condensed consolidated balance sheet at June 30, 2014. The majority of the remaining accrual of $5 million is expected to be paid in 2015 with minimal amounts to be paid out in 2016. This amount is included in other liabilities on our condensed consolidated balance sheet at June 30, 2014.

Capital expenditures related to this program were $10 million in the six months ended June 30, 2014 and there were no capital expenditures related to this program in the six months ended June 30, 2013. Capital expenditures mainly relate to supply chain network optimization.

Integration and Optimization Program (IOP)

In December 2011, we initiated a restructuring program associated with the integration of Diversey s business following our acquisition of Diversey on October 3, 2011. The program primarily consists of (i) reduction in headcount, (ii) consolidation of facilities, (iii) supply chain network optimization, and (iv) certain other capital expenditures. This program is expected to be substantially completed by the end of 2014.

The other associated costs in the table above primarily consist of consulting fees included in selling, general and administrative expenses on the condensed consolidated statements of operations.

The restructuring accrual, spending and other activity in the six months ended June 30, 2014 and the accrual balance remaining at June 30, 2014 related to this program were as follows:

IOP restructuring accrual at December 31, 2013	$ 24.5
Accrual and accrual adjustments	5.5
Cash payments during 2014	(13.3)

Effect of changes in foreign currency exchange rates	(0.2)
IOP restructuring accrual at June 30, 2014	$ 16.5

Cumulative cash payments made in connection with this program, including associated costs through June 30, 2014, were $205 million. We expect to pay substantially all of the accrual balance remaining at June 30, 2014 within the next twelve months. This amount is included in accrued restructuring costs on the condensed consolidated balance sheet at June 30, 2014.

Capital expenditures related to this program were $1 million in the six months ended June 30, 2014 and $7 million in the six months ended June 30, 2013. Capital expenditures mainly relate to facilities and supply chain network optimization.

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(10) Debt and Credit Facilities

Our total debt outstanding consisted of the amounts included in the table below:

	June 30, 2014	December 31, 2013
Short-term borrowings [(1)]	$ 644.0	$ 81.6
Current portion of long-term debt[(2)] [(3)]	69.8	201.5
Total current debt	713.8	283.1
Term Loan A Facility due October 2016, less unamortized lender fees of $6.1 in 2014 and $8.4 in 2013 [(2)] [(3)]	571.5	634.8
Term Loan B Facility due October 2018, less unamortized lender fees of $6.6 in 2014 and $7.3 in 2013, and unamortized discount of $9.7 in 2014 and $10.8 in 2013[(3)]	680.8	681.6
8.125% Senior Notes due September 2019	750.0	750.0
6.50% Senior Notes due December 2020	426.5	424.1
8.375% Senior Notes due September 2021	750.0	750.0
5.25% Senior Notes due April 2023	425.0	425.0
6.875% Senior Notes due July 2033, less unamortized discount of $1.4 in 2014 and 2013	448.6	448.6
Other	2.5	2.3
Total long-term debt, less current portion	4,054.9	4,116.4
Total debt[(4)]	$ 4,768.7	$ 4,399.5

(1) June 30, 2014 is comprised primarily of $217 million of borrowings outstanding under our U.S. and European accounts receivable securitization programs and $305 million of borrowings outstanding under our revolving credit facility, of which we have the intent and ability to repay within twelve months as of June 30, 2014.

(2) The Company s $150 million 12% Senior Notes due February 2014 (12% Senior Notes) were included in current portion of long-term debt as of December 31, 2013. We repaid the 12% Senior Notes upon their maturity using cash on hand and committed liquidity.

(3) We reclassified $68 million of Term Loan A and Term Loan B installment payments due in the next 12 months to current portion of long term debt as of June 30, 2014.

(4) The weighted average interest rate on our total outstanding debt was 5.7% as of June 30, 2014 and 6.2% as of December 31, 2013.

Amended and Restated Senior Secured Credit Facilities

On July 25, 2014, the Company entered into a second restatement agreement (the Second Restatement Agreement) whereby its senior secured credit facility was amended and restated (the Second Amended and Restated Credit Agreement) with Bank of America, N.A., as agent, and the other financial institutions party thereto. The changes include (i) the refinancing of the term loan A facilities, term loan B facilities and revolving credit facilities with new term loan A facilities (including facilities in Canadian dollars, euros, Japanese yen, pounds sterling and U.S. dollars) in an aggregate principal amount equivalent to $1,330 million and revolving credit facilities of $700 million, (ii) a new $100 million delayed draw term loan A facility, (iii) a 0.75% reduction of the interest rate margin for the term loan A facilities and revolving credit facilities, (iv) extension of the final maturity of the term loan A facilities and revolving credit commitment to July 25, 2019, (v) adjustments to the financial maintenance covenant of Consolidated Net Debt to Consolidated EBITDA (as defined in the Second Amended and Restated Credit Agreement) and other covenants to provide additional flexibility to the Company and (vi) other amendments.

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Lines of Credit

The following table summarizes our available lines of credit, which include our senior secured credit facility and the amounts available under our U.S. and European accounts receivable securitization programs. We are not subject to any material compensating balance requirements in connection with our lines of credit.

	June 30, 2014	December 31, 2013
Used lines of credit [1]	$ 644.0	$ 81.6
Unused lines of credit	642.2	1,224.0
Total available lines of credit[2]	$ 1,286.2	$ 1,305.6

(1) Includes total borrowings under AR securitization program, revolving credit facility and borrowings under several foreign subsidiaries.
(2) Of the total available lines of credit, $945 million were committed.

Covenants

Each issue of our outstanding senior notes imposes limitations on our operations and those of specified subsidiaries. Additionally, the senior secured 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 credit facility). We were in compliance with the above financial covenants and limitations at June 30, 2014.

(11) Derivatives and Hedging Activities

We report all derivative instruments on our balance sheet at fair value and establish criteria for designation and effectiveness of transactions entered into for hedging purposes. Our derivative and hedging activities include third party and intercompany receivables and payables and intercompany loans.

Foreign Currency Forward Contracts Designated as Cash Flow Hedges

Net unrealized after tax gains (losses) related to these contracts that were included in other comprehensive income (loss) for the three and six months ended June 30, 2014 and 2013 and any amounts reclassified to the condensed consolidated statements of operations were not material. The unrealized amounts in other comprehensive income (loss) will fluctuate based on changes in the fair value of open contracts during each reporting period.

Foreign Currency Forward Contracts Not Designated as Hedges

The changes in fair value of these contracts are recognized in other (expense), net, on our condensed consolidated statements of operations and are substantially offset by the remeasurement of the underlying foreign currency denominated items. These contracts predominantly have original maturities of 12 to 18 months.

Interest Rate Swaps

From time to time, we may use interest rate swaps to manage our mix of fixed and floating interest rates on our outstanding indebtedness.

At June 30, 2014 and December 31, 2013, we had $100 million notional amount of outstanding interest rate swaps, which did not materially impact our condensed consolidated results of operations or financial position.

Other Derivative Instruments

We may use other derivative instruments from time to time, such as foreign exchange options to manage exposure to foreign exchange rates and interest rate and currency swaps related 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. At June 30, 2014 and December 31, 2013, we had no foreign exchange options, or interest rate and currency swap agreements outstanding.

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.

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Fair Value of Derivative Instruments

The following table details the fair value of our derivative instruments included on our condensed consolidated balance sheets.

	Fair Value of Asset Derivatives [1]		Fair Value of (Liability) Derivatives [1]	
	June 30, 2014	December 31, 2013	June 30, 2014	December 31, 2013