

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,<br>2016 | December<br>31,     |
|--|------------------|---------------------|
| (In millions, except share data)   | (unaudited)      | 2015 <sup>(1)</sup> |
| <b>ASSETS</b>  |                  |                     |
| 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 <sup>(1)</sup>  | 345.2            | 345.2               |
| Total assets   | \$ 7,526.7       | \$ 7,390.0          |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>  |                  |                     |
| 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 <sup>(1)</sup>  | 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.

<sup>(1)</sup>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 <sup>(1)</sup>                                      | 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 <sup>(1)</sup>       | 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 <sup>(1)</sup>                    | 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 <sup>(1)</sup>          | (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.

<sup>(1)</sup>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<br>Ended<br>June 30, |                     | Six Months<br>Ended<br>June 30, |                     |
|---|-----------------------------------|---------------------|---------------------------------|---------------------|
|   | (unaudited)                       |                     | (unaudited)                     |                     |
| (In millions)   | 2016                              | 2015 <sup>(1)</sup> | 2016                            | 2015 <sup>(1)</sup> |
| 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.

<sup>(1)</sup>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

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## SEALED AIR CORPORATION AND SUBSIDIARIES

## Condensed Consolidated Statements of Cash Flows

|   | Six Months<br>Ended<br>June 30, |                     |
|---|---------------------------------|---------------------|
|   | (unaudited)                     |                     |
| (In millions)   | 2016                            | 2015 <sup>(1)</sup> |
| 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.

<sup>(1)</sup>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

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#### 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<br>June 30, |                  | Six Months Ended<br>June 30, |                  |
|-----------------------------------|--------------------------------|------------------|------------------------------|------------------|
|                                   | 2016                           | 2015             | 2016                         | 2015             |
| <b>Net Sales:</b>                 |                                |                  |                              |                  |
| 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 <sup>(1)</sup>       | 374.2                          | 383.9            | 741.4                        | 763.8            |
| As a % of Total Company net sales | 21.7 %                         | 21.5 %           | 22.3 %                       | 21.6 %           |
| Other <sup>(1)</sup>              | 18.6                           | 19.5             | 35.9                         | 38.3             |
| <b>Total Company Net Sales</b>    | <b>\$1,727.0</b>               | <b>\$1,785.0</b> | <b>\$3,317.6</b>             | <b>\$3,531.4</b> |

| (In millions)                                      | Three Months Ended<br>June 30, |                | Six Months Ended<br>June 30, |                |
|--|--------------------------------|----------------|------------------------------|----------------|
|  | 2016                           | 2015           | 2016                         | 2015           |
| <b>Adjusted EBITDA:</b>                            |                                |                |                              |                |
| 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 <sup>(1)</sup>                        | 78.8                           | 79.6           | 155.9                        | 156.0          |
| Adjusted EBITDA Margin                             | 21.1 %                         | 20.7 %         | 21.0 %                       | 20.4 %         |
| Other <sup>(1)</sup>                               | (22.2 )                        | (14.7 )        | (40.3 )                      | (38.5 )        |
| <b>Non-U.S. GAAP Total Company Adjusted EBITDA</b> | <b>\$305.6</b>                 | <b>\$307.6</b> | <b>\$548.7</b>               | <b>\$591.8</b> |
| <b>Adjusted EBITDA Margin</b>                      | <b>17.7 %</b>                  | <b>17.2 %</b>  | <b>16.5 %</b>                | <b>16.8 %</b>  |

- <sup>(1)</sup> 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<br>June 30,<br>2016 | 2015    | Ended<br>June 30,<br>2016 | 2015     |
| Total Company Adjusted EBITDA                                     | \$305.6                   | \$307.6 | \$548.7                   | \$591.8  |
| Depreciation and amortization <sup>(1)(3)</sup>                   | (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 <sup>(1)</sup>                                       | 4.8                       | —       | 4.8                       | —        |
| Restructuring and other charges <sup>(1)(4)</sup>                 | (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 <sup>(1)</sup> | (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 <sup>(2)</sup>                                | 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  |

<sup>(1)</sup> 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.

<sup>(2)</sup> 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.

<sup>(3)</sup>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 <sup>(1)</sup> | \$74.3                      | \$69.3 | \$137.8                   | \$142.4 |

<sup>(1)</sup>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

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

| (In millions)  | Three Months Ended |        | Six Months Ended |        |
|--|--------------------|--------|------------------|--------|
|  | June 30, 2016      | 2015   | June 30, 2016    | 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 <sup>(1)</sup> | \$1.6              | \$16.9 | \$1.6            | \$29.6 |

<sup>(1)</sup>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:

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

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,<br>2016 | December 31,<br>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 <sup>(1)</sup> | (2,265.7)        | (2,219.1)            |
| Property and equipment, net                              | \$980.0          | \$ 930.7             |

<sup>(1)</sup>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<br>Months<br>Ended<br>June 30, |        | Six Months<br>Ended<br>June 30, |        |
|---|--------------------------------------|--------|---------------------------------|--------|
|   | 2016                                 | 2015   | 2016                            | 2015   |
| Interest cost capitalized   | \$2.3                                | \$—    | \$3.9                           | \$1.0  |
| Depreciation and amortization expense for property and<br>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<br>Care | Diversey<br>Care | Product<br>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 <sup>(1)</sup> | \$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 <sup>(2)</sup>  | 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         |

<sup>(1)</sup> 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.

<sup>(2)</sup> 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<br>(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<br>Restructuring<br>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,<br>2016 | December 31,<br>2015 <sup>(3)</sup> |
|---|------------------|-------------------------------------|
| Short-term borrowings <sup>(1)</sup>                      | \$281.0          | \$ 241.9                            |
| Current portion of long-term debt <sup>(2)</sup>          | 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 <sup>(2)</sup>                  | 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 <sup>(5)</sup> | 4,259.1          | 4,266.8                             |
| Total debt <sup>(4)(6)</sup>                              | \$4,616.7        | \$ 4,555.3                          |

<sup>(1)</sup> 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.

<sup>(2)</sup> 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.

<sup>(3)</sup> 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.

<sup>(4)</sup> 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%.

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

<sup>(6)</sup> 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,<br>2016 | December 31,<br>2015 |
|--|------------------|----------------------|
| Used lines of credit <sup>(1)(2)</sup>         | \$281.0          | \$ 241.9             |
| Unused lines of credit                         | 1,034.2          | 1,039.9              |
| Total available lines of credit <sup>(3)</sup> | \$1,315.2        | \$ 1,281.8           |

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

<sup>(2)</sup>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.

<sup>(3)</sup>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 |
| <b>Derivative Assets</b>                          |                |                   |                      |                   |                |                   |                 |                   |
| 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              |
| <b>Total Derivative Assets <sup>(2)</sup></b>     | <b>\$30.3</b>  | <b>\$ 47.2</b>    | <b>\$—</b>           | <b>\$ —</b>       | <b>\$5.4</b>   | <b>\$ 25.0</b>    | <b>\$35.7</b>   | <b>\$ 72.2</b>    |
| <b>Derivative Liabilities</b>                     |                |                   |                      |                   |                |                   |                 |                   |
| 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)            |
| <b>Total Derivative Liabilities<sup>(2)</sup></b> | <b>\$(3.2)</b> | <b>\$( 1.3 )</b>  | <b>\$(19.6)</b>      | <b>\$( 12.0 )</b> | <b>\$(9.6)</b> | <b>\$( 43.5 )</b> | <b>\$(32.4)</b> | <b>\$( 56.8 )</b> |
| <b>Net Derivatives <sup>(1)</sup></b>             | <b>\$27.1</b>  | <b>\$ 45.9</b>    | <b>\$(19.6)</b>      | <b>\$( 12.0 )</b> | <b>\$(4.2)</b> | <b>\$( 18.5 )</b> | <b>\$3.3</b>    | <b>\$ 15.4</b>    |

<sup>(1)</sup>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.

<sup>(2)</sup>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 |
| <b>Gross position</b>   | <b>\$14.5</b>        | <b>\$ 36.2</b>    | <b>\$(12.8)</b>           | <b>\$( 44.8 )</b> | <b>\$21.2</b>            | <b>\$ 36.0</b>    | <b>\$( 19.6 )</b>             | <b>\$( 12.0 )</b> |
| Impact of master netting agreements                                       | (0.4)                | (24.1)            | 0.4                       | 24.1              | —                        | —                 | —                             | —                 |
| <b>Net amounts recognized on the Condensed Consolidated Balance Sheet</b> | <b>\$14.1</b>        | <b>\$ 12.1</b>    | <b>\$(12.4)</b>           | <b>\$( 20.7 )</b> | <b>\$21.2</b>            | <b>\$ 36.0</b>    | <b>\$( 19.6 )</b>             | <b>\$( 12.0 )</b> |

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

| (In millions)                                      | Amount of Gain (Loss)<br>Recognized in<br>Earnings on Derivatives |         |   |        |
|--|---|---------|---|--------|
|  | Three Months<br>Ended<br>June 30,<br>2016                         |         | Six Months<br>Ended<br>June 30,<br>2015 |        |
| Derivatives designated as hedging instruments:     |   |         |   |        |
| Cash Flow Hedges:                                  |   |         |   |        |
| Foreign currency forward contracts <sup>(1)</sup>  | \$(1.5 )  | \$2.9   | \$0.2                                   | \$3.7  |
| Interest rate and currency swaps <sup>(2)</sup>    | (13.3)  | (5.2)   | (24.2)                                  | 9.8    |
| Treasury locks <sup>(3)</sup>                      | —   | —       | 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 |

<sup>(1)</sup> 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 <sup>(2)</sup> | Fair Value |
| Term Loan A Facility due July 2017                   | \$249.8         | \$249.8    | \$249.7                        | \$249.7    |
| Term Loan A Facility due July 2019 <sup>(1)</sup>    | 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 <sup>(1)</sup> | 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 <sup>(1)</sup>                   | 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  |

<sup>(1)</sup>Includes borrowings denominated in currencies other than U.S. dollars.

<sup>(2)</sup>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<br>June 30, 2016 |               |        | Three Months Ended<br>June 30, 2015 |               |        |
|---|-------------------------------------|---------------|--------|-------------------------------------|---------------|--------|
|   | U.S.                                | International | Total  | U.S.                                | International | Total  |
| Components of net periodic benefit cost or<br>(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<br>June 30, 2016 |  |  | Six Months Ended<br>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.

31

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

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

<sup>(1)</sup>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<br>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<br>Pension Items Adjustment | Cumulative Derivative<br>Adjustment investment | Unrecognized Gains<br>(Losses) on<br>Derivative<br>Instruments for<br>net cash<br>hedge | Unrecognized Gains<br>(Losses) on<br>Derivative<br>Instruments for<br>net cash<br>hedge | Accumulated Other<br>Comprehensive Income<br>(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 <sup>(1)(2)</sup>                                    | \$ (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 <sup>(2)</sup>                                       | \$ (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<br>Reclassified from AOCI |
|---|-----------------------------|-------------|---------------------------|-------------|--|
|   | 2016<br>(1)                 | 2015<br>(1) | 2016<br>(1)               | 2015<br>(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<br>Months<br>Ended<br>June 30, |       | Six Months<br>Ended<br>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<br>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<br>Ended<br>June 30, |         | Six Months<br>Ended<br>June 30, |         |
|---|-----------------------------------|---------|---------------------------------|---------|
|   | 2016                              | 2015    | 2016                            | 2015    |
| <b>Basic Net Earnings Per Common Share:</b>             |                                   |         |                                 |         |
| 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  |
| <b>Diluted Net Earnings Per Common Share:</b>           |                                   |         |                                 |         |
| 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 <sup>(1)</sup>          | \$305.6            | \$307.6   | (0.7 )% | \$548.7          | \$591.8   | (7.3 )% |
| Non-U.S. GAAP Adjusted EPS <sup>(2)</sup>             | \$0.65             | \$0.60    | 8.3 %   | \$1.15           | \$1.14    | 0.9 %   |

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

<sup>(2)</sup>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                    | Earnings | Earnings                  | Earnings |
|  | EPS                         | EPS      | EPS                       | EPS      |
| U.S. GAAP net earnings and EPS available to      |                             |          |                           |          |
| common stockholders <sup>(1)</sup>               | \$49.6                      | \$0.25   | \$28.1                    | \$0.13   |
| Special items <sup>(2)</sup>                     | 79.3                        | 0.40     | 99.1                      | 0.47     |
| Non-U.S. GAAP adjusted net earnings and adjusted |                             |          |                           |          |
| EPS available to common stockholders             | \$128.9                     | \$0.65   | \$127.2                   | \$0.60   |
| Weighted average number of common shares         |                             |          |                           |          |
| outstanding - Diluted                            |                             | 197.9    | 211.3                     | 197.5    |
|  |                             |          |                           | 211.5    |

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

<sup>(2)</sup> 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 <sup>(1)</sup>                       | \$(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 <sup>(1)</sup>    | (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 <sup>(2)</sup>                                   | 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

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

| (In millions)                              | Three Months Ended June 30, |                    |           |                    | Six Months Ended June 30, |                    |           |                    |
|--|-----------------------------|--------------------|-----------|--------------------|---------------------------|--------------------|-----------|--------------------|
|  | 2016                        |                    | 2015      |                    | 2016                      |                    | 2015      |                    |
|  | Provision                   | Effective Tax Rate | Provision | Effective Tax Rate | Provision                 | Effective Tax Rate | Provision | Effective Tax Rate |
| U.S. GAAP                                  | \$73.4                      | 59.7 %             | \$14.8    | 34.5 %             | \$93.8                    | 39.9 %             | \$48.9    | 28.1 %             |
| Tax effect on special items <sup>(1)</sup> | (20.5)                      |                    | 37.0      |                    | (14.1)                    |                    | 41.5      |                    |
| Non-U.S. GAAP <sup>(2)</sup>               | \$52.9                      | 29.1 %             | \$51.8    | 28.9 %             | \$79.7                    | 26.0 %             | \$90.4    | 27.2 %             |

<sup>(1)</sup> Represents the tax effect on special items recorded in the reconciliation of our U.S. GAAP earnings to our non-U.S. GAAP earnings, as discussed in the table above.

<sup>(2)</sup> Our Adjusted Tax Rate is defined as the effective income tax rate on non-U.S. GAAP Adjusted Earnings before income tax provision.

#### Foreign Currency Translation Impact on Condensed Consolidated Financial Results

Since we are a U.S. domiciled company, we translate our foreign currency-denominated financial results into U.S. dollars. Due to the changes in the value of foreign currencies relative to the U.S. dollar, translating our financial results from foreign currencies to U.S. dollars may result in a favorable or unfavorable impact. Historically, the most significant currencies that have impacted the translation of our Condensed Consolidated Financial Results are the euro, the Venezuelan bolivar, the Australian dollar, the Brazilian real, the British pound, the Canadian dollar, the Mexican peso and the Russian ruble.

The following table presents the approximate favorable or (unfavorable) impact foreign currency translation had on some of our Condensed Consolidated Financial Results:

| (In millions)                                | Three Months Ended |               | Six Months Ended |               |
|--|--------------------|---------------|------------------|---------------|
|  | June 30, 2016      | June 30, 2015 | June 30, 2016    | June 30, 2015 |
| Net sales                                    | \$(58.8)           | \$(198.8)     | \$(171.8)        | \$(344.5)     |
| Cost of sales                                | \$39.4             | \$125.2       | \$113.2          | \$214.4       |
| Selling, general and administrative expenses | \$10.1             | \$45.3        | \$33.4           | \$82.6        |
| Net earnings                                 | \$(1.3 )           | \$(18.4 )     | \$(12.6 )        | \$(29.2 )     |
| Adjusted EBITDA                              | \$(8.9 )           | \$(34.1 )     | \$(26.7 )        | \$(56.5 )     |

#### Net Sales by Geographic Region

Net sales by geographic region for the three and six months ended June 30, 2016 and 2015 as follows:

Three Months Ended

Six Months Ended

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| (In millions)       | June 30,  |           | %        | June 30,  |           | %        |
|---------------------|-----------|-----------|----------|-----------|-----------|----------|
|                     | 2016      | 2015      | Change   | 2016      | 2015      | Change   |
| North America       | \$720.3   | \$738.8   | (2.5 )%  | \$1,384.3 | \$1,476.1 | (6.2 )%  |
| As a % of net sales | 41.7 %    | 41.4 %    |          | 41.7 %    | 41.8 %    |          |
| EMEA <sup>(1)</sup> | 607.1     | 617.2     | (1.6 )%  | 1,155.0   | 1,197.9   | (3.6 )%  |
| As a % of net sales | 35.2 %    | 34.6 %    |          | 34.8 %    | 33.9 %    |          |
| Latin America       | 160.6     | 181.2     | (11.4 )% | 305.0     | 358.9     | (15.0 )% |
| As a % of net sales | 9.3 %     | 10.2 %    |          | 9.2 %     | 10.2 %    |          |
| APAC <sup>(2)</sup> | 239.0     | 247.8     | (3.6 )%  | 473.3     | 498.5     | (5.1 )%  |
| As a % of net sales | 13.8 %    | 13.9 %    |          | 14.3 %    | 14.1 %    |          |
| Total               | \$1,727.0 | \$1,785.0 | (3.2 )%  | \$3,317.6 | \$3,531.4 | (6.1 )%  |

<sup>(1)</sup>EMEA = Europe, Middle East and Africa

<sup>(2)</sup>APAC = Asia, Australia, New Zealand, Japan and Korea

The following tables present the components of the change in net sales by geographic region for the three and six months ended June 30, 2016 compared with 2015. We also present the change in net sales excluding the impact of foreign currency translation, a non-U.S. GAAP measure, which we define as “constant dollar.” We believe using constant dollar measures aids in the comparability between periods as it eliminates the volatility of changes in foreign currency exchange rates.

Three Months Ended  
June 30, 2016 (In  
millions)

|                              | North America |        | EMEA    |        | Latin America |         | APAC    |        | Total     |        |
|------------------------------|---------------|--------|---------|--------|---------------|---------|---------|--------|-----------|--------|
| 2015 net sales               | \$ 738.8      |        | \$617.2 |        | \$ 181.2      |         | \$247.8 |        | \$1,785.0 |        |
| Volume-Units                 | 9.0           | 1.2 %  | 7.8     | 1.3 %  | (8.7 )        | (4.8 )% | 0.4     | 0.2 %  | 8.5       | 0.5 %  |
| Price/mix <sup>(1)</sup>     | (24.8 )       | (3.4)% | 7.2     | 1.2 %  | 23.5          | 13.0 %  | 1.2     | 0.5 %  | 7.1       | 0.4 %  |
| Divestiture                  | —             | — %    | (14.8 ) | (2.4)% | —             | — %     | —       | — %    | (14.8 )   | (0.8)% |
| Total constant dollar change |               |        |         |        |               |         |         |        |           |        |
| (Non-U.S. GAAP)              | (15.8 )       | (2.2)% | 0.2     | 0.1 %  | 14.8          | 8.2 %   | 1.6     | 0.7 %  | 0.8       | 0.1 %  |
| Foreign currency translation | (2.7 )        | (0.3)% | (10.3 ) | (1.7)% | (35.4 )       | (19.5)% | (10.4 ) | (4.2)% | (58.8 )   | (3.3)% |
| Total change (U.S. GAAP)     | (18.5 )       | (2.5)% | (10.1 ) | (1.6)% | (20.6 )       | (11.3)% | (8.8 )  | (3.5)% | (58.0 )   | (3.2)% |
| 2016 net sales               | \$ 720.3      |        | \$607.1 |        | \$ 160.6      |         | \$239.0 |        | \$1,727.0 |        |

Six Months Ended  
June 30, 2016 (In  
millions)

|                              | North America |        | EMEA      |        | Latin America |         | APAC    |        | Total     |        |
|------------------------------|---------------|--------|-----------|--------|---------------|---------|---------|--------|-----------|--------|
| 2015 net sales               | \$1,476.1     |        | \$1,197.9 |        | \$ 358.9      |         | \$498.5 |        | \$3,531.4 |        |
| Volume-Units                 | 15.8          | 1.1 %  | 22.6      | 1.9 %  | (16.8 )       | (4.7 )% | 1.4     | 0.3 %  | 23.0      | 0.7 %  |
| Price/mix <sup>(1)</sup>     | (45.1 )       | (3.1)% | 11.8      | 1.0 %  | 48.0          | 13.4 %  | 2.2     | 0.4 %  | 16.9      | 0.5 %  |
| Divestiture                  | (52.9 )       | (3.6)% | (29.0 )   | (2.4)% | —             | — %     | —       | — %    | (81.9 )   | (2.3)% |
| Total constant dollar change |               |        |           |        |               |         |         |        |           |        |
| (Non-U.S. GAAP)              | (82.2 )       | (5.6)% | 5.4       | 0.5 %  | 31.2          | 8.7 %   | 3.6     | 0.7 %  | (42.0 )   | (1.1)% |
| Foreign currency translation | (9.6 )        | (0.6)% | (48.3 )   | (4.1)% | (85.1 )       | (23.7)% | (28.8 ) | (5.8)% | (171.8 )  | (5.0)% |
| Total change (U.S. GAAP)     | (91.8 )       | (6.2)% | (42.9 )   | (3.6)% | (53.9 )       | (15.0)% | (25.2 ) | (5.1)% | (213.8 )  | (6.1)% |
| 2016 net sales               | \$1,384.3     |        | \$1,155.0 |        | \$ 305.0      |         | \$473.3 |        | \$3,317.6 |        |



<sup>(1)</sup>Our price/mix reported above includes the net impact of our pricing actions and rebates as well as the period-to-period change in the mix of products sold. Also included in our reported price/mix is the net effect of some of our customers purchasing our products in non-U.S. dollar or euro-denominated countries at selling prices denominated in U.S. dollars or euros. This primarily arises when we export products from the U.S. and euro-zone countries. The impact to our reported price/mix of these purchases in other countries at selling prices denominated in U.S. dollars or euros was not material in the periods included in the table above.

40

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## Net Sales by Segment

The following table presents net sales by our segment reporting structure:

| (In millions)                     | Three Months Ended |                  |                | Six Months Ended |                  |                |
|-----------------------------------|--------------------|------------------|----------------|------------------|------------------|----------------|
|                                   | June 30,<br>2016   | 2015             | %<br>Change    | June 30,<br>2016 | 2015             | %<br>Change    |
| <b>Net Sales:</b>                 |                    |                  |                |                  |                  |                |
| Food Care                         | \$802.3            | \$846.6          | (5.2 )%        | \$1,567.0        | \$1,726.4        | (9.2 )%        |
| As a % of Total Company net sales | 46.5 %             | 47.4 %           |                | 47.2 %           | 48.9 %           |                |
| Diversey Care                     | 531.9              | 535.0            | (0.6 )%        | 973.3            | 1,002.9          | (3.0 )%        |
| As a % of Total Company net sales | 30.8 %             | 30.0 %           |                | 29.3 %           | 28.4 %           |                |
| Product Care <sup>(1)</sup>       | 374.2              | 383.9            | (2.5 )%        | 741.4            | 763.8            | (2.9 )%        |
| As a % of Total Company net sales | 21.7 %             | 21.5 %           |                | 22.3 %           | 21.6 %           |                |
| Other <sup>(1)</sup>              | 18.6               | 19.5             | (4.6 )%        | 35.9             | 38.3             | (6.3 )%        |
| <b>Total Company</b>              | <b>\$1,727.0</b>   | <b>\$1,785.0</b> | <b>(3.2 )%</b> | <b>\$3,317.6</b> | <b>\$3,531.4</b> | <b>(6.1 )%</b> |

<sup>(1)</sup>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 and \$5.7 million of net sales for the three and six months ended June 30, 2015, respectively.

## Components of Change in Net Sales by Segment

The following tables present the components of change in net sales by our segment reporting structure for the three and six months ended June 30, 2016 compared with June 30, 2015. We also present the change in net sales excluding the impact of foreign currency translation, a non-U.S. GAAP measure, which we define as “constant dollar.” We believe using constant dollar measures aids in the comparability between periods as it eliminates the volatility of changes in foreign currency exchange rates.

| Three Months Ended                  |               |               |              |               |              |               |              |               |               |               |   |  |               |  |
|-------------------------------------|---------------|---------------|--------------|---------------|--------------|---------------|--------------|---------------|---------------|---------------|---|--|---------------|--|
| June 30, 2016 (In millions)         | Food Care     |               |              | Diversey Care |              |               | Product Care |               |               | Other         |   |  | Total Company |  |
| 2015 Net Sales                      | \$846.6       |               |              | \$535.0       |              |               | \$383.9      |               |               | \$19.5        |   |  | \$1,785.0     |  |
| Volume - Units                      | 5.6           | 0.7           | % 2.4        | 0.4           | % 1.5        | 0.4           | % (1.0)      | (5.1)%        | 8.5           | 0.5           | % |  |               |  |
| Price/mix <sup>(1)</sup>            | 3.7           | 0.4           | % 10.5       | 2.0           | % (7.4)      | (1.9)%        | 0.3          | 1.5           | % 7.1         | 0.4           | % |  |               |  |
| Divestiture                         | (14.8)        | (1.7)%        | —            | —             | % —          | —             | % —          | —             | (14.8)        | (0.8)%        |   |  |               |  |
| <b>Total constant dollar change</b> |               |               |              |               |              |               |              |               |               |               |   |  |               |  |
| (Non-U.S. GAAP)                     | (5.5)         | (0.6)%        | 12.9         | 2.4           | % (5.9)      | (1.5)%        | (0.7)        | (3.6)%        | 0.8           | 0.1           | % |  |               |  |
| Foreign currency translation        | (38.8)        | (4.6)%        | (16.0)       | (3.0)%        | (3.8)        | (1.0)%        | (0.2)        | (1.0)%        | (58.8)        | (3.3)%        |   |  |               |  |
| <b>Total change (U.S. GAAP)</b>     | <b>(44.3)</b> | <b>(5.2)%</b> | <b>(3.1)</b> | <b>(0.6)%</b> | <b>(9.7)</b> | <b>(2.5)%</b> | <b>(0.9)</b> | <b>(4.6)%</b> | <b>(58.0)</b> | <b>(3.2)%</b> |   |  |               |  |
| 2016 Net Sales                      | \$802.3       |               |              | \$531.9       |              |               | \$374.2      |               |               | \$18.6        |   |  | \$1,727.0     |  |



| Six Months Ended<br>June 30, 2016 (In<br>millions) | Food Care |         | Diversey Care |         | Product Care |         | Other  |          | Total Company |         |
|--|-----------|---------|---------------|---------|--------------|---------|--------|----------|---------------|---------|
| 2015 Net Sales                                     | \$1,726.4 |         | \$1,002.9     |         | \$763.8      |         | \$38.3 |          | \$3,531.4     |         |
| Volume - Units                                     | 18.4      | 1.1 %   | 1.3           | 0.1 %   | 5.2          | 0.7 %   | (1.9)  | (5.0) %  | 23.0          | 0.7 %   |
| Price/mix <sup>(1)</sup>                           | 9.6       | 0.6 %   | 18.4          | 1.8 %   | (12.2)       | (1.6) % | 1.1    | 2.9 %    | 16.9          | 0.5 %   |
| Divestiture  | (81.9 )   | (4.7) % | —             | — %     | —            | — %     | —      | — %      | (81.9 )       | (2.3) % |
| Total constant dollar<br>change                    |           |         |               |         |              |         |        |          |               |         |
| (Non- U.S. GAAP)                                   | (53.9 )   | (3.0) % | 19.7          | 1.9 %   | (7.0 )       | (0.9) % | (0.8 ) | (2.1 ) % | (42.0 )       | (1.1) % |
| Foreign currency<br>translation                    | (105.5 )  | (6.2) % | (49.3 )       | (4.9) % | (15.4 )      | (2.0) % | (1.6 ) | (4.20) % | (171.8 )      | (5.0) % |
| Total change (U.S.<br>GAAP)                        | (159.4 )  | (9.2) % | (29.6 )       | (3.0) % | (22.4 )      | (2.9) % | (2.4 ) | (6.3 ) % | (213.8 )      | (6.1) % |
| 2016 Net Sales                                     | \$1,567.0 |         | \$973.3       |         | \$741.4      |         | \$35.9 |          | \$3,317.6     |         |

<sup>(1)</sup>Our price/mix reported above includes the net impact of our pricing actions and rebates as well as the period-to-period change in the mix of products sold. Also included in our reported price/mix is the net effect of some of our customers purchasing our products in non-U.S. dollar or euro-denominated countries at selling prices denominated in U.S. dollars or euros. This primarily arises when we export products from the U.S. and euro-zone countries. The impact to our reported price/mix of these purchases in other countries at selling prices denominated in U.S. dollars or euros was not material in the periods included in the table above.

The following net sales discussion is on a reported and constant dollar basis.

#### Food Care

##### Three Months Ended June 30, 2016 Compared With the Same Period of 2015

As reported, net sales decreased \$44 million, or 5%, in 2016 compared with 2015, of which \$39 million was due to negative currency impact. On a constant dollar basis, net sales increased \$6 million, or 1%, in 2016 compared with 2015 primarily due to the following:

- the divestiture of the European food trays businesses of \$15 million.

This was partially offset by:

- the impact of higher unit volumes of \$6 million, reflecting an increase in North America and EMEA due to strong demand within our core product portfolio, adoption of new products and increased market penetration of advanced packaging solutions, partially offset by lower unit volumes in Latin America which were negatively impacted by general political and economic conditions, primarily in Venezuela ; and
- favorable price/mix of \$4 million, reflecting an increase in Latin America and EMEA, primarily reflecting pricing initiatives implemented to offset currency devaluation, a favorable mix of new higher margin products and the

implementation of value-added solutions and pricing disciplines, and non-material inflationary costs, which were partially offset by unfavorable price/mix in North America primarily attributable to formula pricing at key customers.

Six Months Ended June 30, 2016 Compared With the Same Period of 2015

As reported, net sales decreased \$159 million, or 9%, in 2016 compared to 2015, of which \$106 million was due to negative currency impact. On a constant dollar basis, net sales decreased \$54 million, or 3%, in 2016 compared with 2015 primarily due to the following:

- the divestiture of the North American foam trays and absorbent pads and European food trays businesses of \$82 million.

42

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This was partially offset by:

- the impact of higher unit volumes of \$18 million, reflecting an increase in North America and EMEA due to strong demand within our core product portfolio, adoption of new products and increased market penetration of advanced packaging solutions, partially offset by lower unit volumes in Latin America which were negatively impacted by general political and economic conditions, primarily in Venezuela and Brazil; and
- favorable price/mix of \$10 million, reflecting an increase in Latin America and EMEA, primarily reflecting pricing initiatives implemented to offset currency devaluation, a favorable mix of new higher margin products and the implementation of value-added pricing initiatives and non-material inflationary costs, which was partially offset by unfavorable price/mix in North America primarily attributable to formula pricing at key customers.

Diversey Care

Three Months Ended June 30, 2016 Compared With the Same Period of 2015

As reported, net sales decreased \$3 million, or 1%, in 2016 as compared to 2015, of which \$16 million was due to negative currency impact. On a constant dollar basis, net sales increased \$13 million, or 2%, in 2016 compared with 2015 primarily due to the following:

- favorable price/mix of \$11 million across all regions; and
- higher unit volumes of \$2 million, reflecting higher unit volumes in APAC due to increased sales driven by new customers and innovation sales and strong demand from distributors in North America along with continued growth in our facility management, retail and healthcare portfolio of products.

Six Months Ended June 30, 2016 Compared With the Same Period of 2015

As reported, net sales decreased \$30 million, or 3%, in 2016 as compared to 2015, of which \$49 million was due to negative currency impact. On a constant dollar basis, net sales increased \$20 million, or 2%, in 2016 compared with 2015 primarily due to the following:

- favorable price/mix of \$18 million across all regions; and
- higher unit volumes of \$1 million, reflecting primarily higher unit volumes in APAC due to increased sales driven by new customers and innovation sales, while increased demand for our infection prevention portfolio of products in North America were partially offset by lower volumes in North America, primarily due to softness in Canada as compared to the prior year.

Recently, the Company has had, and anticipates further, discussions with a partner regarding certain portions of a licensing agreement which, if not renewed, expires in 2017, under which Diversey has license to sell certain products and use specified trade names in certain institutional and industrial channels. Failure to successfully conclude our discussions with this partner or renew the licensing agreement upon expiration could result in an adverse effect on the Company's consolidated net sales from continuing operations.

Product Care

Three Months Ended June 30, 2016 Compared With the Same Period of 2015

As reported, net sales decreased \$10 million, or 3%, in 2016 as compared to 2015, of which \$4 million was due to negative currency impact. On a constant dollar basis, net sales decreased \$6 million, or 2%, in 2016 compared with 2015 primarily due to the following:

- unfavorable price/mix of \$7 million primarily related to North America.

This was partially offset by:

· higher unit volumes of \$2 million, primarily in EMEA due to ongoing strength in the e-Commerce and third party logistics markets, partially offset by North America and Latin America due to rationalization efforts and weakness in the industrial sectors.

43

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## Six Months Ended June 30, 2016 Compared With the Same Period of 2015

As reported, net sales decreased \$33 million, or 3%, in 2016 as compared to 2015, of which \$15 million was due to negative currency impact. On a constant dollar basis, net sales decreased \$7 million, or less than 1%, in 2016 compared with 2015 primarily due to the following:

- unfavorable price/mix of \$12 million primarily related to North America.

This was partially offset by:

- higher unit volumes of \$5 million, primarily in EMEA due to ongoing strength in the e-Commerce and third party logistics markets, partially offset by North America and Latin America due to rationalization efforts and weakness in the industrial sectors.

## Cost of Sales

Cost of sales for the three and six months ended June 30, 2016 and 2015 were as follows:

| (In millions)       | Three Months Ended |           |             | Six Months Ended |           |             |
|---------------------|--------------------|-----------|-------------|------------------|-----------|-------------|
|                     | June 30,<br>2016   | 2015      | %<br>Change | June 30,<br>2016 | 2015      | %<br>Change |
| Net sales           | \$1,727.0          | \$1,785.0 | (3.2 )%     | \$3,317.6        | \$3,531.4 | (6.1 )%     |
| Cost of sales       | 1,065.6            | 1,121.2   | (5.0 )%     | 2,066.9          | 2,218.0   | (6.8 )%     |
| As a % of net sales | 61.7 %             | 62.8 %    |             | 62.3 %           | 62.8 %    |             |

## Three Months Ended June 30, 2016 Compared With the Same Period of 2015

As reported, cost of sales decreased by \$56 million, or 5%, in 2016 as compared to 2015. Cost of sales was impacted by favorable foreign currency translation of \$39 million. On a constant dollar basis, cost of sales decreased \$13 million, or 1.2%, primarily due to the divestiture of the European food trays business of \$12 million and a \$7 million reimbursement of previously incurred environmental expenses, offset by \$9 million in unfavorable non-material manufacturing and direct costs.

## Six Months Ended June 30, 2016 Compared With the Same Period of 2015

As reported, costs of sales decreased \$151 million, or 7%, in 2016 as compared to 2015. Cost of sales was impacted by favorable foreign currency translation of \$113 million. On a constant dollar basis, cost of sales decreased \$32 million, or 1.5%, primarily due to the divestiture of the North American foam trays and absorbent pads business and European food trays business of \$66 million and a \$7 million reimbursement of previously incurred environmental expenses, offset by an increase of \$44 million in higher non-material manufacturing and direct costs.

## Selling, General and Administrative Expenses

Selling, general and administrative expenses (SG&A) for the three and six months ended June 30, 2016 and 2015 are included in the table below.



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| (In millions)                                | Three Months Ended |         |          | Six Months Ended |         |          |
|--|--------------------|---------|----------|------------------|---------|----------|
|  | June 30, 2016      | 2015    | % Change | June 30, 2016    | 2015    | % Change |
| Selling, general and administrative expenses | \$413.5            | \$415.3 | (0.4)%   | \$809.5          | \$843.1 | (4.0)%   |
| As a % of net sales                          | 23.9 %             | 23.3 %  |          | 24.4 %           | 23.9 %  |          |

Three Months Ended June 30, 2016 Compared With the Same Period of 2015

As reported, SG&A expenses decreased \$2 million, or less than 1%, in 2016 as compared to 2015. SG&A expenses were impacted by favorable foreign currency translation of \$10 million. On a constant dollar basis, SG&A expenses increased by \$8 million, or 2%, which was primarily due to salary inflation, partially offset by restructuring savings.

## Six Months Ended June 30, 2016 Compared With the Same Period of 2015

As reported, SG&A expenses decreased \$34 million, or 4%, in 2016 as compared to 2015. SG&A expenses were impacted by favorable foreign currency translation of \$33 million. On a constant dollar basis, SG&A expenses were essentially flat, reflecting restructuring savings offset by salary inflation.

## Amortization Expense of Intangible Assets Acquired

Amortization expense of intangible assets acquired for the three and six months ended June 30, 2016 and 2015 were as follows:

| (In millions)                                      | Three Months Ended |        |          | Six Months Ended |        |          |
|--|--------------------|--------|----------|------------------|--------|----------|
|  | June 30, 2016      | 2015   | % Change | June 30, 2016    | 2015   | % Change |
| Amortization expense of intangible assets acquired | \$27.5             | \$23.0 | 19.6 %   | \$48.9           | \$45.6 | 7.2 %    |
| As a % of net sales                                | 1.6 %              | 1.3 %  |          | 1.5 %            | 1.3 %  |          |

The increase in amortization expense of intangibles for the three and six months ended June 30, 2016 was primarily as a result of the accelerated amortization of customer relationships in Venezuela of \$4.3 million.

## Stock Appreciation Rights Expense

SARs expense for the three and six months ended June 30, 2016 and 2015 is as follows:

| (In millions)                               | Three Months Ended |       |          | Six Months Ended |       |          |
|---|--------------------|-------|----------|------------------|-------|----------|
|   | June 30, 2016      | 2015  | % Change | June 30, 2016    | 2015  | % Change |
| Stock appreciation rights (benefit) expense | \$(0.1)            | \$1.6 | (106.3)% | \$0.2            | \$4.5 | (95.6)%  |
| As a % of net sales                         | 0.0 %              | 0.1 % |          | 0.0%             | 0.1 % |          |

SARs expense includes the impact of changes in the share price of our common stock. The share price of our common stock has increased approximately 3% in the first half of 2016 and increased 21% in the first half of 2015. SARs expense decreased primarily due to a decrease in the number of SARs that remain outstanding. See Note 16, "Stockholders' Equity," for further details of our SARs program. As of June 30, 2016, we had approximately 52,000 SARs outstanding, all of which are fully vested.

## Restructuring Activities

See Note 9, "Restructuring and Relocation Activities," for additional details regarding each of the Company's restructuring programs discussed below, restructuring plan's accrual, spending and other activity for the three and six

months ended June 30, 2016.

As reported in our 2015 Form 10-K, our December 2011 Integration and Optimization Program (“IOP”) is substantially complete, while the May 2013 Earnings Quality Improvement Program (“EQIP”) is nearing completion. In the first quarter of 2016, the Board of Directors agreed to consolidate the remaining activities of those programs together with the December 2014 Fusion program to create a single program to be called the “Sealed Air Restructuring Program” or the “Program.”

The combined programs are estimated to generate incremental cost savings of \$100 million to \$120 million per annum by the end of 2018, compared with the savings run rate achieved by the end of 2015, of which approximately \$40 million is expected to be achieved in 2016.

For the three and six months ended June 30, 2016, the Program generated cost savings of \$9 million and \$23 million, respectively, primarily in selling, general and administration expenses.

Additionally, the Program is expected to generate one-time cash and benefits of approximately \$65 million from the sale of certain assets, state and local incentives in connection with the relocation of the Company’s headquarters and reductions in working capital. Through June 30, 2016, we had generated \$30 million in cash related to the sale of our facility located in Racine, Wisconsin.

The actual timing of future costs and cash payments related to the Program described above and our relocation activities are subject to change due to a variety of factors that may cause a portion of the costs, spending and benefits to occur later than expected. In addition, changes in foreign exchange rates may impact future costs, spending, benefits and cost synergies.

## Interest Expense

Interest expense includes the stated interest rate on our outstanding debt, as well as the net impact of capitalized interest, the effects of interest rate swaps and the amortization of capitalized senior debt issuance costs and credit facility fees, bond discounts, and terminated treasury locks.

Interest expense for the three and six months ended June 30, 2016 and 2015 was as follows:

| (In millions)   | Three Months Ended |               | 2016<br>vs.<br>2015<br>Change | Six Months Ended |                | 2016<br>vs.<br>2015<br>Change |
|---|--------------------|---------------|-------------------------------|------------------|----------------|-------------------------------|
|   | June 30,<br>2016   | 2015          |                               | June 30,<br>2016 | 2015           |                               |
| <b>Interest expense on our various debt instruments:</b>                  |                    |               |                               |                  |                |                               |
| Term Loan A due July 2017   | 1.2                | 6.3           | (5.1 )                        | 2.5              | 13.5           | (11.0 )                       |
| Term Loan A due July 2019 (October 2016 prior to refinance)               | 7.3                | 1.1           | 6.2                           | 14.4             | 2.2            | 12.2                          |
| Revolving credit facility due July 2019 (October 2016 prior to refinance) | 0.6                | 0.6           | —                             | 1.2              | 1.2            | —                             |
| 6.50% Senior Notes due December 2020                                      | 7.0                | 7.0           | —                             | 14.0             | 14.0           | —                             |
| 8.375% Senior Notes due September 2021                                    | —                  | 14.4          | (14.4 )                       | —                | 30.4           | (30.4 )                       |
| 4.875% Senior Notes due December 2022                                     | 5.4                | 5.4           | —                             | 10.7             | 10.7           | —                             |
| 5.25% Senior Notes due April 2023   | 5.8                | 5.8           | —                             | 11.5             | 11.5           | —                             |
| 4.50% Senior Notes due September 2023                                     | 5.1                | 0.9           | 4.2                           | 10.2             | 0.9            | 9.3                           |
| 5.125% Senior Notes due December 2024                                     | 5.5                | 5.5           | —                             | 11.1             | 11.1           | —                             |
| 5.50% Senior Notes due September 2025                                     | 5.6                | 0.9           | 4.7                           | 11.2             | 0.9            | 10.3                          |
| 6.875% Senior Notes due July 2033   | 7.7                | 7.8           | (0.1 )                        | 15.5             | 15.5           | —                             |
| Other interest expense  | 5.3                | 4.9           | 0.4                           | 10.5             | 8.6            | 1.9                           |
| Less: capitalized interest  | (2.2 )             | (1.6 )        | (0.6 )                        | (3.8 )           | (3.0 )         | (0.8 )                        |
| <b>Total</b>  | <b>\$54.3</b>      | <b>\$59.0</b> | <b>\$(4.7 )</b>               | <b>\$109.0</b>   | <b>\$117.5</b> | <b>\$(8.5 )</b>               |

## Foreign Currency Exchange (Losses) Gains Related to Venezuelan Subsidiaries

Effective January 1, 2010, Venezuela was designated a highly inflationary economy. The foreign currency exchange gains and losses we recorded in 2016 and 2015 for our Venezuelan subsidiary were the result of the significant changes in the exchange rates used to remeasure our Venezuelan subsidiary's financial statements at the balance sheet date. We believe these gains and losses are attributable to the unstable foreign currency environment in Venezuela. See Note 1, "Organization and Basis of Presentation – Impact of Inflation and Currency Fluctuation" for further details.

## Ceasing Operations in Venezuela

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 in the second quarter of 2016 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. Refer to Note 1 of the Condensed Consolidated Statement of Operations for further details.

## Sale of Equity Investment

In September 2007, we established a joint venture that supported our Food Care segment in Turkey. We accounted for the joint venture under the equity method of accounting with our proportionate share of net income or losses included in other expense, net, on the consolidated statements of operations. In the second quarter of 2012, we recorded other-than-temporary impairment of \$26 million (\$18 million, net of taxes, or \$0.09 per diluted share). This impairment primarily consisted of the recognition of a current liability for the guarantee we issued related to the uncommitted credit facility of \$20 million. The other component of the impairment was a \$4 million write-down of the carrying value of the investment to zero at June 30, 2012. We also recorded provisions for bad debt on receivables due from the joint venture to the Company of \$2 million, which was included in marketing, administrative and development expenses.

In the second quarter of 2015, Sealed Air sold its equity interest in the joint venture which had a carrying value of zero and in connection with the closing of this sale, Sealed Air and the other partner had to pay a portion of the outstanding debt that the joint venture owed for which Sealed Air had recorded a current liability in 2012. At closing, Sealed Air also collected its outstanding receivables and paid certain payables to the joint venture. As a result of these transactions, we recorded in the second quarter of 2015 pre-tax income of \$5 million which was all reflected as a Special Item. Included in this amount was \$1 million related to the portion of the debt that the partner paid which is reflected in Other Income, \$2 million due to the reversal of allowance for bad debts which is reflected in selling, general and administrative expense and in other income, net and \$2 million related to the impact of the revaluation of the non-U.S. dollar denominated contingent liability and the related foreign currency forward contracts which was included in other income, net. In July 2015, the partner paid the remaining outstanding debt balance and Sealed Air was relieved of its remaining guarantee obligation. As a result of these transactions, during the twelve months ended December 31, 2015 we recorded pre-tax income of \$9.1 million which was reflected as a special item and is excluded from our Adjusted EBITDA results. Included in this amount was \$6.6 million related to the portion of the debt that the partner paid which is reflected in other income (expense), net, \$2.0 million due to the reversal of allowance for bad debts which is reflected in selling, general and administrative expenses and in other income (expense), net and \$0.5 million related to the impact of the revaluation of the non-U.S. dollar-denominated contingent liability and the related foreign currency forward contracts which was included in other income, net.

## Other Income, Net

See Note 18, "Other Income, net," for the components and discussion of other income, net.

## Income Taxes

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 net 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 mix with earnings in jurisdictions with low tax rates; however, the effective tax rate was negatively impacted by foreign currency exchange losses in Venezuela of approximately \$30 million for which we will receive no tax benefits.

Our effective tax rate depends on the realization of our deferred tax assets, net of our valuation allowances. We have deferred tax assets related to other accruals not yet deductible for tax purposes, foreign tax credits, U.S. and foreign net operating loss carry forwards and investment tax allowances, employee benefit items, and other items.

The Internal Revenue Service (the “Service”) is currently auditing the 2011 consolidated U.S. federal income tax return of legacy Sealed Air and the 2012-2014 consolidated U.S. federal income tax return of the Company. Included in the audit of the 2014 return is the examination by the Service with respect to the Settlement agreement deduction in 2014 and related carryback to legacy Sealed Air tax years. The outcome of the examination may affect the utilization of certain tax attributes and require us to return a portion of the refund.

We have established valuation allowances to reduce our deferred tax assets to an amount that is more likely than not to be realized. Our ability to utilize our deferred tax assets depends in part upon our ability to carry back any losses created by the deduction of these temporary differences, the future income from existing temporary differences and the ability to generate future taxable income within the respective jurisdictions during the periods in which these temporary differences reverse. If we are unable to generate sufficient future taxable income in the U.S. and certain foreign jurisdictions, or if there is a significant change in the time period within which the underlying temporary differences become taxable or deductible, we could be required to increase our valuation allowances against our deferred tax assets. Conversely, if we have sufficient future taxable income in jurisdictions where we have valuation allowances, we may be able to reverse those valuation allowances.

#### Net Earnings Available to Common Stockholders

Net earnings available to common stockholders for the three and six months ended June 30, 2016 and 2015 are included in the table below.

| (In millions)                                 | Three Months Ended June 30, |        |          | Six Months Ended June 30, |         |          |
|---|-----------------------------|--------|----------|---------------------------|---------|----------|
|   | 2016                        | 2015   | % Change | 2016                      | 2015    | % Change |
| Net earnings available to common stockholders | \$49.6                      | \$28.1 | 76.5 %   | \$141.5                   | \$125.3 | 12.9 %   |

#### Three Months Ended June 30, 2016 Compared With the Same Period of 2015

For the three months ended June 30, 2016, net income included special items primarily related to ceasing operations in Venezuela of \$52 million (\$49 million, net of taxes), restructuring and other associated costs related to our restructuring programs of \$7 million (\$5 million, net of taxes), and foreign currency exchange losses related to our Venezuelan subsidiaries of \$1 million (\$1 million, net of taxes). For the three months ended June 30, 2015, this amount primarily includes loss on debt redemption and refinancing activities of \$111 million (\$72 million, net of taxes), foreign currency exchange losses related to our Venezuelan subsidiaries of \$31 million (\$31 million, net of taxes), restructuring and other associated costs related to our restructuring program of \$27 million (\$21 million, net of taxes), partially offset by a gain from the sale of our North American foam trays and absorbent pads business of \$29 million (\$19 million, net of taxes).

#### Six Months Ended June 30, 2016 Compared With the Same Period of 2015

For the six months ended June 30, 2016, net income primarily included charges related ceasing operations in Venezuela of \$52 million (\$49 million, net of taxes), restructuring and other associated costs related to our restructuring programs of \$13 million (\$10 million, net of taxes), foreign currency exchange losses related to our Venezuelan subsidiaries of \$3 million (\$3 million, net of taxes), and additional loss from the sale of our European food trays business and other divestitures of \$2 million (\$2 million, net of taxes). For the six months ended June 30, 2015, this amount primarily includes loss on debt redemption and refinancing activities of \$111 million (\$72 million, net of taxes), restructuring and other associated costs related to our restructuring program of \$49 million (\$36 million, net of taxes), foreign currency exchange losses related to Venezuelan subsidiaries of \$30 million (\$30 million, net of taxes), partially offset by the gain on the sale of our North American foam trays and absorbent pads business of \$29 million (\$19 million, net of taxes).



Adjusted EBITDA by Segment

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 allocate and disclose restructuring and other charges and impairment of goodwill and other intangible assets by segment, although it is not included in the segment performance metric Adjusted EBITDA since restructuring and other charges and impairment of goodwill and other intangible assets are categorized as special items. The accounting policies of the reportable segments and Other are the same as those applied to the Condensed Consolidated Financial Statements.

See Note 4, “Segments,” for the reconciliation of Non-U.S. GAAP Adjusted EBITDA to U.S. GAAP net earnings and other segment details.

| (In millions)               | Three Months Ended |         |          | Six Months Ended |         |          |
|-----------------------------|--------------------|---------|----------|------------------|---------|----------|
|                             | June 30, 2016      | 2015    | % Change | June 30, 2016    | 2015    | % Change |
| Food Care                   | \$162.8            | \$173.7 | (6.3)%   | \$310.6          | \$364.2 | (14.7)%  |
| Adjusted EBITDA Margin      | 20.3%              | 20.5%   |          | 19.8%            | 21.1%   |          |
| Diversey Care               | 86.2               | 69.0    | 24.9%    | 122.5            | 110.1   | 11.3%    |
| Adjusted EBITDA Margin      | 16.2%              | 12.9%   |          | 12.6%            | 11.0%   |          |
| Product Care <sup>(1)</sup> | 78.8               | 79.6    | (1.0)%   | 155.9            | 156.0   | (0.1)%   |
| Adjusted EBITDA Margin      | 21.1%              | 20.7%   |          | 21.0%            | 20.4%   |          |
| Other <sup>(1)</sup>        | (22.2)             | (14.7)  | 51.0%    | (40.3)           | (38.5)  | 4.7%     |
| Non-U.S. GAAP Total Company |                    |         |          |                  |         |          |
| Adjusted EBITDA             | \$305.6            | \$307.6 | (0.7)%   | \$548.7          | \$591.8 | (7.3)%   |
| Adjusted EBITDA Margin      | 17.7%              | 17.2%   |          | 16.5%            | 16.8%   |          |

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

The following is a discussion of the factors that contributed to the change in Adjusted EBITDA by segment in the three and six months ended June 30, 2016 as compared with the prior period.

#### Food Care

##### Three Months Ended June 30, 2016 Compared With the Same Period of 2015

Adjusted EBITDA was impacted by unfavorable foreign currency translation of \$ 9 million. On a reported and constant dollar basis, Adjusted EBITDA decreased \$2 million, or 1.4%, in 2016 compared with the same period in 2015 primarily due to the impact of:

- the effect of the divestiture of the European food trays business of \$3 million; and
- higher non-material manufacturing expenses of \$8 million, including salary and wage inflation.

These were partially offset by:

- restructuring savings of \$4 million; and
- positive volume trends of \$4 million primarily reflecting improving protein trends and adoption of our advanced product portfolio.

##### Six Months Ended June 30, 2016 Compared With the Same Period of 2015

Adjusted EBITDA was impacted by unfavorable foreign currency translation of \$ 21 million. On a reported and constant dollar basis, Adjusted EBITDA decreased \$32 million, or 8.9%, in 2016 compared with the same period in 2015 primarily due to the impact of:

- higher expenses of \$27 million including non-material manufacturing expenses and salary and wage inflation;
- the effect of the divestitures of the North American foam trays and absorbent pads business and the European food trays business of \$17 million; and
- unfavorable price/mix and margin expansion of \$3 million primarily reflecting formula pricing.

These were partially offset by:

- positive volume trends of \$10 million primarily reflecting improving protein trends and adoption of our advanced product portfolio; and
- restructuring savings of \$9 million.

49

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## Looking ahead

We expect volume trends to continue to increase in North America and Europe in the second half of the year, which is expected to be partially offset by volume declines in Australia and New Zealand and the negative impacts of formula pricing.

## Diversey Care

### Three Months Ended June 30, 2016 Compared With the Same Period of 2015

Adjusted EBITDA was impacted by unfavorable foreign currency translation of \$2 million. On a reported and constant dollar basis, Adjusted EBITDA increased \$19 million, or 26.8%, in 2016 compared with the same period in 2015 primarily due to the impact of:

- favorable price/mix of \$5 million due primarily to formula pricing;
- a \$6 million reimbursement of previously incurred environmental expenses ; and
- restructuring savings of \$3 million.

This was partially offset by:

- increase in selling and administrative expense of \$1 million primarily due to salary and wage inflation, offset by cost control measures.

### Six Months Ended June 30, 2016 Compared With the Same Period of 2015

Adjusted EBITDA was impacted by unfavorable foreign currency translation of \$5 million. On a reported and constant dollar basis, Adjusted EBITDA increased \$17 million, or 15.6% in 2016 compared with the same period in 2015 primarily due to the impact of:

- favorable price/mix and margin expansion spread of \$17 million;
- restructuring savings of \$9 million; and
- a \$6 million reimbursement of previously incurred environmental expenses .

This was partially offset by:

- higher expense of \$17 million primarily related to non-material inflation and targeted investments in research and development.

## Looking ahead

We expect increased volumes and positive pricing to continue into the second half of the year for North America, Europe and Asia Pacific; however, the impact of recent geopolitical events in the Middle East and Europe specifically on our hospitality business is expected to partially offset these trends.

## Product Care

### Three Months Ended June 30, 2016 Compared With the Same Period of 2015

Adjusted EBITDA was impacted by unfavorable foreign currency translation of \$1 million. On a reported and constant dollar basis, Adjusted EBITDA increased \$1 million, or 1%, in 2016 compared with the same period in 2015 primarily as a result of positive volume trends, manufacturing efficiencies and continued price discipline, which were partially offset by salary and wage inflation.

Six Months Ended June 30, 2016 Compared With the Same Period of 2015

Adjusted EBITDA was impacted by unfavorable foreign currency translation of \$3 million. On a reported and constant dollar basis, Adjusted EBITDA increased \$3 million, or 1.7%, in 2016 compared with the same period in 2015 primarily as a result of positive volume trends, manufacturing efficiencies and continued price discipline, which were partially offset by salary and wage inflation.

50

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Looking ahead

Favorable trends in e-Commerce and increasing demand for new products are expected to continue into the third and fourth quarters in 2016; however, weakness in the manufacturing and electronics sectors is expected to partially offset these trends. We have also announced price increases in the United Kingdom to offset negative impacts of their pending exit from the European Union, but failure to achieve these price increases could negatively impact our future performance.

Other

Three Months Ended June 30, 2016 Compared With the Same Period of 2015

Adjusted EBITDA, on a reported and constant dollar basis, decreased \$7.5 million, or 51.0%, in 2016 compared with the same period in 2015 which included an increase of \$10 million in salary and wages offset by \$2 million of restructuring savings.

Six Months Ended June 30, 2016 Compared With the Same Period of 2015

Adjusted EBITDA, on a reported and constant dollar basis, increased \$1.8 million, or 4.7%, in 2016 compared with the same period in 2015 which included the \$1.4 million reclassification of our Kevothermal business to other and an increase of \$8 million in salary and wages which were offset by \$4 million of restructuring savings.

## Reconciliation of Non-U.S. GAAP Total Company Adjusted EBITDA to U.S. GAAP Net Earnings Available to Common Stockholders

See Note 4, "Segments," for other segment details. The following table shows the reconciliation of Non-U.S. GAAP Total Company Adjusted EBITDA to U.S. GAAP net earnings available to common stockholders:

| (In millions)   | Three Months Ended |         | Six Months Ended |         |
|---|--------------------|---------|------------------|---------|
|   | June 30, 2016      | 2015    | June 30, 2016    | 2015    |
| Total Company Adjusted EBITDA                                     | \$305.6            | \$307.6 | \$548.7          | \$591.8 |
| Depreciation and amortization <sup>(1)(3)</sup>                   | (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 <sup>(1)</sup>                                       | 4.8                | —       | 4.8              | —       |
| Restructuring and other charges <sup>(1)(4)</sup>                 | (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 <sup>(1)</sup> | (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 <sup>(2)</sup>                                | 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 |

<sup>(1)</sup> 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, including share-based incentive compensation, is as follows:

| (In millions)  | Three    |        | Six Months |         |
|--|----------|--------|------------|---------|
|  | Months   |        | Months     |         |
|  | Ended    |        | Ended      |         |
|  | June 30, |        | 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 <sup>(1)</sup> | \$74.3   | \$69.3 | \$137.8    | \$142.4 |

- <sup>(1)</sup>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.



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

| (In millions)  | Three Months Ended |        | Six Months Ended |        |
|--|--------------------|--------|------------------|--------|
|  | June 30, 2016      | 2015   | June 30, 2016    | 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 <sup>(1)</sup> | \$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.

## Liquidity and Capital Resources

### Principal Sources of Liquidity

Our primary sources of cash are the collection of trade receivables generated from the sales of our products and services to our customers and amounts available under our existing lines of credit, including our Amended Credit Facility, and our accounts receivable securitization programs. Our primary uses of cash are payments for operating expenses, investments in working capital, capital expenditures, interest, taxes, dividends, share repurchases, debt obligations, restructuring expenses and other long-term liabilities. We believe that our current liquidity position and future cash flows from operations will enable us to fund our operations, including all of the items mentioned above in the next twelve months.

As of June 30, 2016, we had cash and cash equivalents of \$298 million, of which approximately \$281 million, or approximately 95%, was located outside of the U.S. As of June 30, 2016, there were certain foreign government regulations restricting transfers on \$25 million of the cash located outside of the U.S. As of June 30, 2016, our U.S. cash balances and committed liquidity facilities available to U.S. borrowers were sufficient to fund our U.S. operating requirements and capital expenditures, current debt obligations and dividends.

### Cash and Cash Equivalents

The following table summarizes our accumulated cash and cash equivalents:

| (In millions)             | June 30, 2016 | December 31, 2015 |
|---------------------------|---------------|-------------------|
| Cash and cash equivalents | \$ 297.5      | \$ 358.4          |

See “Analysis of Historical Cash Flows” below.

#### Accounts Receivable Securitization Programs

At June 30, 2016, we had \$202 million available to us under the U.S. and European programs of which we had \$151 million outstanding as of June 30, 2016. At December 31, 2015, we had \$192 million available to us under the programs of which we had \$144 million outstanding at December 31, 2015. See Note 8, “Accounts Receivable Securitization Programs,” for information concerning these programs.

#### Lines of Credit

We have a \$700 million revolving credit facility. During the first six months of 2016, we utilized borrowings under this facility and had outstanding borrowings of \$27 million at June 30, 2016 and no outstanding borrowings at December 31, 2015. See Note 10, “Debt and Credit Facilities,” for further details.

There was \$103 million and \$98 million outstanding under various lines of credit extended to our subsidiaries at June 30, 2016 and December 31, 2015, respectively. See Note 10, “Debt and Credit Facilities,” for further details.

## Covenants

At June 30, 2016, we were in compliance with our financial covenants and limitations, as discussed in “Covenants” of Note 10, “Debt and Credit Facilities.”

## Debt Ratings

Our cost of capital and ability to obtain external financing may be affected by our debt ratings, which the credit rating agencies review periodically. Below is a table that details our credit ratings by the various types of debt by rating agency.

|                                       | Moody’s  | Investor Standard |
|---------------------------------------|----------|-------------------|
|                                       | Services | & Poor’s          |
| Corporate Rating                      | Ba2      | BB                |
| Senior Unsecured Rating               | Ba3      | BB                |
| Senior Secured Credit Facility Rating | Baa3     | BBB-              |
| Outlook                               | Stable   | Stable            |

These credit ratings are considered to be below investment grade (with the exception of the Ba3 and BBB- Senior Secured Credit Facility Rating from Moody’s Investor Services and Standard & Poor’s, respectively, which are classified as investment grade). If our credit ratings are downgraded, there could be a negative impact on our ability to access capital markets and borrowing costs could increase. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the rating organization. Each rating should be evaluated independently of any other rating.

## Outstanding Indebtedness

At June 30, 2016 and December 31, 2015, our total debt outstanding consisted of the amounts set forth in the following table.

| (In millions)  | June 30,  | December 31, |
|--|-----------|--------------|
|  | 2016      | 2015         |
| Short-term borrowings  | \$281.0   | \$ 241.9     |
| Current portion of long-term debt                            | 76.6      | 46.6         |
| Total current debt   | 357.6     | 288.5        |
| Total long-term debt, less current portion <sup>(1)(2)</sup> | 4,259.1   | 4,266.8      |
| Total debt   | \$4,616.7 | \$ 4,555.3   |

<sup>(1)</sup>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 for debt issuance costs. Refer to Note 2, “Recently Issued Accounting Standards” of the notes to condensed consolidated financial statements for further details.

<sup>(2)</sup> Amounts are net of unamortized discounts and debt issuance costs of \$34 million as June 30, 2016 and \$36 million as of December 31, 2015.

See Note 10, "Debt and Credit Facilities," for further details.

54

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## Analysis of Historical Cash Flow

The following table shows the changes in our Condensed Consolidated Statement of Cash Flows in the six months ended June 30, 2016 and 2015.

| (In millions)  | Six Months<br>Ended<br>June 30, |                     |
|--|---------------------------------|---------------------|
|  | 2016                            | 2015 <sup>(1)</sup> |
| Net cash provided by operating activities  | \$181.2                         | \$456.1             |
| Net cash (used in) provided by investing activities                              | (136.6)                         | 75.5                |
| Net cash used in financing activities  | (89.2 )                         | (265.2)             |
| Effect of foreign currency exchange rate changes on cash<br>and cash equivalents | (16.3 )                         | (34.3 )             |

<sup>(1)</sup>For the six months ended June 30, 2015, certain amounts related to foreign currency gains and losses, including the remeasurement loss related to Venezuelan subsidiaries in 2015, and the settlement of foreign currency forward contracts were misclassified. Additional revisions were made to the Condensed Consolidated Balance Sheets for the six months ended 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.

In addition to net cash provided by operating activities, we use free cash flow as a useful measure of performance and as an indication of the strength and ability of our operations to generate cash. We define free cash flow as cash provided by operating activities less capital expenditures (which is classified as an investing activity). Free cash flow is not defined under U.S. GAAP. Therefore, free cash flow should not be considered a substitute for net income or cash flow data prepared in accordance with U.S. GAAP and may not be comparable to similarly titled measures used by other companies. Free cash flow does not represent residual cash available for discretionary expenditures, including certain debt servicing requirements or non-discretionary expenditures that are not deducted from this measure. We historically have generated the majority of our annual free cash flow in the second half of the year. Below are the details of free cash flow for the six months ended June 30, 2016 and 2015.

| (In millions)                              | Six Months<br>Ended<br>June 30, |         |           |
|--|---------------------------------|---------|-----------|
|  | 2016                            | 2015    | Change    |
| Cash flow provided by operating activities | \$181.2                         | \$456.1 | \$(274.9) |
| Capital expenditures                       | (113.5)                         | (57.6 ) | (55.9 )   |
| Free cash flow <sup>(1)</sup>              | \$67.7                          | \$398.5 | \$(330.8) |

(1)

Free cash flow was \$163 million in 2015 excluding the tax refund received of \$235 million in connection with the Settlement agreement.

Net Cash Provided by Operating Activities

Six Months Ended June 30, 2016

Net cash provided by operating activities of \$181 million in the six months ended June 30, 2016 was primarily attributable to:

- \$142 million of net earnings, which included \$219 million of non-cash adjustments to reconcile net earnings to net cash provided by operating activities, including adjustments for depreciation and amortization, share-based incentive compensation expenses, and the reclassification of the cumulative translation adjustment related to the Company's decision to cease its operations in Venezuela.

These were partially offset by:

- \$102 million of changes in other liabilities and assets. This activity primarily reflects the timing of certain annual incentive compensation payments; and
- \$77 million of changes in operating assets and liabilities, primarily reflecting an increase in trade receivables and inventory partially offset by an increase in accounts payable. This activity reflects the timing of inventory purchases and the related payments of cash and the seasonality of sales and collections.

55

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Six Months Ended June 30, 2015

Net cash provided by operating activities of \$456 million in the six months ended June 30, 2015 was primarily attributable to:

- \$269 million of non-cash adjustments to reconcile net earnings to net cash provided by operating activities, including adjustments for depreciation and amortization and share-based incentive compensation expenses;
- \$235 million tax refund related to the Settlement agreement payment; and
- \$125 million of net earnings.

These were partially offset by:

- A net cash use of \$173 million in changes in operating assets and liabilities, primarily in other liabilities and inventories, and to a lesser extent, other assets, net. This activity primarily reflects the timing of certain annual incentive compensation payments.

Net Cash (Used in) Provided by Investing Activities

Six Months Ended June 30, 2016

Net cash used in investing activities of \$137 million in the six months ended June 30, 2016 primarily consisted of the following:

- capital expenditures of \$114 million; and
- \$31 million related to settlements of foreign currency forward contracts.

These were partially offset by:

- \$8 million related to net proceeds in the sale of business and property and equipment.

Six Months Ended June 30, 2015

Net cash provided by investing activities of \$76 million in the six months ended June 30, 2015 primarily consisted of the following:

- \$24 million proceeds from the sale of our facility located in Racine, Wisconsin. See Note 9, "Restructuring and Relocation Activities" for further discussion on the sale of the Racine facility; and
- \$40 million related to settlements of foreign currency forward contracts.

These were partially offset by:

- \$58 million of capital expenditures related to capacity expansions to support growth in net sales; and
- \$9 million related to a business acquisition.

Net Cash Used in Financing Activities

Six Months Ended June 30, 2016

Net cash used in financing activities of \$89 million in the six months ended June 30, 2016 was primarily due to the following:

- payments of quarterly dividends of \$58 million;
- repurchases of common stock of \$52 million; and
- acquisition of common stock for tax withholding obligations relating to stock-based compensation of \$22 million.

These factors were partially offset by:

- increases in short-term borrowings under our revolving credit facility, local lines of credit and accounts receivable securitization programs of \$35 million; and
- an excess tax benefit of \$7 million related to stock-based compensation.

56

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Six Months Ended June 30, 2015

Net cash used in financing activities of \$265 million in the six months ended June 30, 2015 was primarily due to the following:

- repayment of \$750 million of 8.375% senior notes due 2021;
- repurchases of common stock of \$150 million;
- payments on debt extinguishment of \$99 million;
- payment of quarterly dividends of \$55 million;
- repayment of \$36 million under our accounts receivable securitization program;
- repayments of \$23 million under our revolving credit facility; and
- increase in cash used as collateral on borrowing arrangements of \$15 million.

These factors were partially offset by:

- proceeds from the issuance of \$400 million of 5.50% senior notes due 2025;
- proceeds from the issuance of €400 million of 4.50% senior notes due 2023; and
- increases in short-term borrowings under local lines of credit of \$33 million.

#### Changes in Working Capital

| (In millions)   | June 30,<br>2016 | December 31,<br>2015 | Change  |
|---|------------------|----------------------|---------|
| Working capital (current assets less current liabilities)                     | \$ 466.6         | \$ 408.5             | \$ 58.1 |
| Current ratio (current assets divided by current liabilities)                 | 1.2x             | 1.2x                 |         |
| Quick ratio (current assets, less inventories divided by current liabilities) | 0.9x             | 0.9x                 |         |

The \$58 million, or 14%, increase in working capital reflected:

- an increase in inventory to support higher anticipated sales in the third quarter;
- an increase in trade receivables consistent with higher net sales in the end of the second quarter; and
- a decrease in other current liabilities primarily reflecting the payment of performance-based compensation and profit sharing previously accrued.

These were partially offset by:

- an increase in short-term borrowings and decrease in cash to support the increase in working capital, capital expenditures, share repurchases, and dividends; and
- an increase in accounts payable consistent with the increase in inventories and continuing initiatives for longer payment terms.

#### Changes in Stockholders' Equity

The \$60 million, or 11%, increase in stockholders' equity in the six months ended June 30, 2016 was primarily due to the following:

- net earnings of \$142 million;
- increase of \$39 million in additional paid in capital due primarily to stock-based incentive compensation; and
- a net increase in unrecognized pension items of \$4 million.

57

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These were partially offset by:

- dividends paid and accrued on our common stock of \$58 million;
- a net increase in shares held in treasury of \$39 million primarily due to the repurchase of common stock into treasury stock of \$52 million, \$22 million of withholding taxes paid in shares, partially offset by the transfer of common stock held in treasury of \$35 million related to our 2015 profit sharing plan contribution made in the first half of 2016;
- cumulative translation adjustment of \$16 million including the reclassification of \$46 million of cumulative translation adjustment into net income during the second quarter of 2016 related to ceasing operations in Venezuela; and
- unrealized losses on derivative instruments of \$12 million.

We repurchased approximately 1.1 million shares of our common stock in the six months ended June 30, 2016 for \$52 million. See Note 16, “Stockholders’ Equity,” for further details.

#### Derivative Financial Instruments

##### Interest Rate Swaps

The information set forth in Part I, Item 1 of this Quarterly Report on Form 10-Q in Note 11, “Derivatives and Hedging Activities,” under the caption “Interest Rate Swaps” is incorporated herein by reference.

##### Interest Rate and Currency Swaps

The information set forth in Part I, Item 1 of this Quarterly Report on Form 10-Q in Note 11, “Derivatives and Hedging Activities,” under the caption “Interest Rate and Currency Swaps” is incorporated herein by reference.

##### Net Investment Hedge

The information set forth in Part I, Item 1 of this Quarterly Report on Form 10-Q in Note 11, “Derivatives and Hedging Activities,” under the caption “Net Investment Hedge” is incorporated herein by reference.

##### Other Derivative Instruments

The information set forth in Part I, Item 1 of this Quarterly Report on Form 10-Q in Note 11, “Derivatives and Hedging Activities,” under the caption “Other Derivative Instruments” is incorporated herein by reference.

##### Foreign Currency Forward Contracts

At June 30, 2016, we were party to foreign currency forward contracts, which did not have a significant impact on our liquidity.

The information set forth in Part I, Item 1 of this Quarterly Report on Form 10-Q in Note 11, “Derivatives and Hedging Activities,” under the caption “Foreign Currency Forward Contracts,” is incorporated herein by reference. For further discussion about these contracts and other financial instruments, see Part I, Item 3, “Quantitative and Qualitative Disclosures about Market Risk.”

#### Recently Issued Statements of Financial Accounting Standards, Accounting Guidance and Disclosure Requirements

We are subject to numerous recently issued statements of financial accounting standards, accounting guidance and disclosure requirements. Note 2, “Recently Issued Accounting Standards,” which is contained in Part I, Item 1 of this Quarterly Report on Form 10-Q, describes these new accounting standards and is incorporated herein by reference.

#### Critical Accounting Policies and Estimates

There have been no material changes in our critical accounting policies and estimates from those disclosed in our 2015 Form 10-K. For a discussion of our critical accounting policies and estimates, refer to “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Policies and Estimates” in Part II, Item 7 of our 2015 Form 10-K, which information is incorporated herein by reference.

### Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to market risk from changes in the conditions in the global financial markets, interest rates, foreign currency exchange rates and commodity prices and the creditworthiness of our customers and suppliers, which may adversely affect our Condensed Consolidated Financial Condition and Results of Operations. We seek to minimize these risks through regular operating and financing activities and, when deemed appropriate, through the use of derivative financial instruments. We do not purchase, hold or sell derivative financial instruments for trading purposes.

#### Interest Rates

From time to time, we may use interest rate swaps, collars or options to manage our exposure to fluctuations in interest rates.

At June 30, 2016, we had no outstanding interest rate collars or options.

The information set forth in Part I, Item 1 of this Quarterly Report on Form 10-Q in Note 11, “Derivatives and Hedging Activities,” under the caption “Interest Rate Swaps,” is incorporated herein by reference.

See Note 12, “Fair Value Measurements and Other Financial Instruments,” for details of the methodology and inputs used to determine the fair value of our fixed rate debt. The fair value of our fixed rate debt varies with changes in interest rates. Generally, the fair value of fixed rate debt will increase as interest rates fall and decrease as interest rates rise. A hypothetical 10% increase in interest rates would result in a decrease of \$91 million in the fair value of the total debt balance at June 30, 2016. These changes in the fair value of our fixed rate debt do not alter our obligations to repay the outstanding principal amount or any related interest of such debt.

#### Foreign Exchange Rates

##### Operations

As a large global organization, we face exposure to changes in foreign currency exchange rates. These exposures may change over time as business practices evolve and could materially impact our Condensed Consolidated Financial Condition and Results of Operations in the future. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations” above for the impacts foreign currency translation had on our operations.

##### Venezuela

Economic and political events in Venezuela have exposed us to heightened levels of foreign currency exchange risk. See Note 1, “Organization and Basis of Presentation – Impact of Inflation and Currency Fluctuation” for additional details.

##### Argentina

Recent economic events in Argentina, including the default on some of its international debt obligations, have exposed us to heightened levels of foreign currency exchange risks. However, as of June 30, 2016, we do not anticipate these events will have a material impact on our 2016 results of operations. For the three and six months ended June 30, 2016, approximately 2% of our consolidated net sales and operating income were derived from our businesses in Argentina. As of June 30, 2016, we had net assets of \$24 million (including \$2 million of cash and cash equivalents) in Argentina. Also, as of June 30, 2016, our Argentina subsidiaries had a negative cumulative translation

adjustment balance of \$43 million.

#### Russia

The U.S. and the European Union (EU) have recently imposed sanctions on various sectors of the Russian economy and on transactions with certain Russian nationals and entities. Russia has also announced economic sanctions against the U.S. and other nations that include a ban on imports of certain products. These sanctions are not expected to have a material impact on our business as much of the operations in Russia support local production; however they may limit the amount of future business the Company does with customers involved in activities in Russia. As of June 30, 2016, approximately 1% of our consolidated net sales were derived from products sold into Russia. Also, as of June 30, 2016, our Russian subsidiaries had a negative cumulative translation adjustment balance of \$51 million.

59

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## Greece

Recent economic events in Greece, including missing payment to the International Monetary Fund and the uncertainties relating to the ability of Greece to remain in the European Monetary Union may require us to tighten credit controls that will have adverse impact on our sales and bad debt expense. However, as of June 30, 2016, we do not anticipate these events will have a material impact on our 2016 results of operations. As of June 30, 2016, less than 1% of our consolidated net sales were derived from products sold into Greece. Also, as of June 30, 2016, our Greece subsidiaries had a negative cumulative translation adjustment balance of \$3 million.

## Brazil

Recent economic events in Brazil, including the increase in the benchmark interest rate set by the Brazilian Central Bank, have exposed us to heightened levels of foreign currency exchange risks. However, as of June 30, 2016, we do not anticipate these events will have a material impact on our 2016 results of operations. As of June 30, 2016, less than 3% of our consolidated net sales were derived from products sold into Brazil. Also, as of June 30, 2016, our Brazil subsidiaries had a negative cumulative translation adjustment balance of \$101 million.

## United Kingdom

Recent economic events in United Kingdom, including their intention to exit from the European Union may require us to tighten credit controls that will have adverse impact on our sales and bad debt expense. However, as of June 30, 2016, we do not anticipate these events will have a material impact on our 2016 results of operations. As of June 30, 2016, less than 5% of our consolidated net sales were derived from products sold into the United Kingdom. Also, as of June 30, 2016, our United Kingdom subsidiaries had a negative cumulative translation adjustment balance of \$51 million.

## Impact of Inflation and Currency Fluctuation

Economic and political events in certain countries have exposed us to heightened levels of inflation and foreign currency exchange risks. The effects of these could impact our financial condition and results of operations. See Note 1, "Organization and Basis of Presentation – Impact of Inflation and Currency Fluctuation" for details regarding the impact of inflation and currency fluctuation. Also, for a discussion of our risk factors, please refer to Part II, Item 1A, "Risk Factors."

## Foreign Currency Forward Contracts

We use foreign currency forward contracts to fix the amounts payable or receivable on some transactions denominated in foreign currencies. A hypothetical 10% adverse change in foreign exchange rates at June 30, 2016 would have caused us to pay approximately \$41 million to terminate these contracts. Based on our overall foreign exchange exposure, we estimate this change would not materially affect our financial position and liquidity. The effect on our results of operations would be substantially offset by the impact of the hedged items.

Our foreign currency forward contracts are described in Note 11, "Derivatives and Hedging Activities," contained in Part I, Item 1 of this Quarterly Report on Form 10-Q which is incorporated herein by reference.

## Interest Rate and Currency Swaps

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. These swaps convert the U.S dollar-denominated variable rate obligation

under the credit facility into a fixed rate 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 \$3.5 million (\$2.2 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 increased by \$4.7 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 accumulated other comprehensive loss, 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.

#### Outstanding Debt

Our outstanding debt is generally denominated in the functional currency of the borrower or in euros as is the case with the issuance of €400 million of 4.50% senior notes due 2023. We believe that this enables us to better match operating cash flows with debt service requirements and to better match the currency of assets and liabilities. The amount of outstanding debt denominated in a functional currency other than the U.S. dollar was \$1 billion at June 30, 2016 and December 31, 2015.

#### Customer Credit

We are exposed to credit risk from our customers. In the normal course of business we extend credit to our customers if they satisfy pre-defined credit criteria. We maintain an allowance for doubtful accounts for estimated losses resulting from the failure of our customers to make required payments. An additional allowance may be required if the financial condition of our customers deteriorates. The allowance for doubtful accounts is maintained at a level that management assesses to be appropriate to absorb estimated losses in the accounts receivable portfolio.

Our customers may default on their obligations to us due to bankruptcy, lack of liquidity, operational failure or other reasons. Our provision for bad debt expense was \$1 million and \$2 million for the three and six months ended June 30, 2016, respectively. The provision for the three and six months ended June 30, 2015 was \$2 million and less than \$1 million, respectively. The allowance for doubtful accounts was \$23 million at June 30, 2016 and \$25 million at December 31, 2015.

#### Item 4. Controls and Procedures

##### Disclosure Controls and Procedures

We maintain disclosure controls and procedures, as defined in Rule 13a-15 under the Securities Exchange Act of 1934, as amended, that are designed to ensure that information required to be disclosed in our reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that our employees accumulate this information and communicate it to our management, including our Chief Executive Officer (our principal executive officer) and our Chief Financial Officer (our principal financial officer), as appropriate, to allow timely decisions regarding the required disclosure. In designing and evaluating the disclosure controls and procedures, our management recognizes that any controls and

procedures, no matter how well designed and operated, can provide only “reasonable assurance” of achieving the desired control objectives, and management necessarily must apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

#### Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this report, we carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures under Rule 13a-15. Our management, including our Chief Executive Officer and Chief Financial Officer, supervised and participated in this evaluation. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective at the “reasonable assurance” level.

### Changes in Internal Control over Financial Reporting

There has not been any change in our internal control over financial reporting during the three months ended June 30, 2016 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

We are currently engaged in a phased implementation and upgrade of enterprise resource planning software in certain regions, which will bring all regions on to common software over the next few years. The implementation is being performed in the ordinary course of business to improve efficiency through the use of common software.

## PART II. OTHER INFORMATION

### Item 1. Legal Proceedings

The information set forth in Item 1 of Part I of this Quarterly Report on Form 10-Q in Note 15, "Commitments and Contingencies," which is incorporated herein by reference. See also Part I, Item 3, "Legal Proceedings," of our 2015 Form 10-K, as subsequently updated by our Quarterly Reports on Form 10-Q, as well as the information incorporated by reference in that item.

We are also involved in various other legal actions incidental to our business. We believe, after consulting with counsel, that the disposition of these other legal proceedings and matters will not have a material effect on our condensed consolidated financial condition or results of operations.

### Item 1A. Risk Factors.

There have been no significant changes to our risk factors since December 31, 2015. For a discussion of our risk factors, please refer to Part I, Item 1A, "Risk Factors," of our 2015 Form 10-K.

## Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

## (c) Issuer Purchases of Equity Securities

The table below sets forth the total number of shares of our common stock, par value \$0.10 per share, that we repurchased in each month of the quarter ended June 30, 2016, the average price paid per share and the maximum approximate dollar value of shares that may yet be purchased under our publicly announced plans or programs.

| Period                               | Total Number of Shares Purchased <sup>(1)</sup> | Average Price Paid Per Share | Total Number of Shares Purchased as Part of Announced Plans or Programs | Maximum Approximate Dollar Value of Shares that May Yet be Purchased Under the Plans or Programs |
|--------------------------------------|---|------------------------------|---|--|
|                                      | (a)   | (b)                          | (c)   | (d)  |
| Balance as of March 31, 2016         |   |                              |   | \$ 852,184,273   |
| April 1, 2016 through April 30, 2016 | 14,975  | \$ —                         | —   | 852,184,273  |
| May 1, 2016 through May 31, 2016     | 8,745   | —                            | —   | 852,184,273  |
| June 1, 2016 through June 30, 2016   | 438,426   | 45.91                        | 435,140   | 832,205,549  |
| Total                                | 462,146   | \$ 45.91                     | 435,140   | \$ 832,205,549   |

<sup>(1)</sup>We acquired shares by means of (i) a share trading plan we entered into with our brokers and pursuant to our publicly announced program (described below), (ii) shares withheld from awards under our Omnibus Incentive Plan (the successor plan to our 2005 Contingent Stock Plan) pursuant to the provision thereof that permits minimum tax withholding obligations or other legally required charges to be satisfied by having us withhold shares from an award under that plan and (iii) shares reacquired pursuant to the forfeiture provision of our Omnibus Incentive Plan. We report price calculations in column (b) in the table above only for shares purchased as part of our publicly announced program, when applicable. For shares withheld for minimum tax withholding obligations or other legally required charges, we withhold shares at a price equal to their fair market value. We do not make payments for shares reacquired by the Company pursuant to the forfeiture provision of the Omnibus Incentive Plan as those shares are simply forfeited.

| Period     | Shares withheld for tax obligations and charges | Average withholding price for shares in column "a" | Forfeitures under Omnibus Incentive Plan | Total  |
|------------|---|--|--|--------|
|            | (a)   | (b)  | (c)                                      | (d)    |
| April 2016 | —   | \$ —   | 14,975                                   | 14,975 |
| May 2016   | —   | —  | 8,745                                    | 8,745  |
| June 2016  | —   | —  | 3,286                                    | 3,286  |
| Total      | —   |  | 27,006                                   | 27,006 |

On July 9, 2015, the Board of Directors authorized a new stock repurchase program to repurchase up to \$1.5 billion of the Company's issued and outstanding common stock. This new program replaced the previous stock repurchase

program approved in August 2007. This program has no set expiration date. Please also refer to the "Repurchases of Capital Stock," in "Management's Discussion and Analysis of Financial Condition and Results of Operations" section in Part II Item 7 of our 2015 Form 10-K.

Item 6. Exhibits

| Exhibit<br>Number | Description  |
|-------------------|--|
| 3.1               | Unofficial Composite Amended and Restated Certificate of Incorporation of the Company as currently in effect. (Exhibit 3.1 to the Company's Registration Statement on Form S-3, Registration No. 333-108544, is incorporated herein by reference.) |
| 3.2               | Amended and Restated By-Laws of the Company as currently in effect. (Exhibit 3.1 to the Company's Current Report on Form 8-K, Date of Report May 28, 2014, File No. 1-12139, is incorporated herein by reference.)                                 |
| 31.1              | Certification of Jerome A. Peribere pursuant to Rule 13a-14(a), dated August 1, 2016.  |
| 31.2              | Certification of Carol P. Lowe pursuant to Rule 13a-14(a), dated August 1, 2016.   |
| 32                | Certification of Jerome A. Peribere and Carol P. Lowe, pursuant to 18 U.S.C. § 1350, dated August 1, 2016.   |
| 101.INS           | XBRL Instance Document   |
| 101.SCH           | XBRL Taxonomy Extension Schema   |
| 101.CAL           | XBRL Taxonomy Extension Calculation Linkbase   |
| 101.LAB           | XBRL Taxonomy Extension Label Linkbase   |
| 101.PRE           | XBRL Taxonomy Extension Presentation Linkbase  |
| 101.DEF           | XBRL Taxonomy Extension Definition Linkbase  |

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Sealed Air Corporation

Date: August 1, 2016 By: /s/ William G. Stiehl  
William G. Stiehl  
Chief Accounting Officer and Controller