SEALED AIR CORP/DE
Form 10-Q
November 05, 2014

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2014

Or

¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

Commission File Number: 1-12139

SEALED AIR CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	65-0654331
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
200 Riverfront Boulevard	07407-1033

Elmwood Park, New Jersey
(Address of principal executive offices) (Zip Code)
Registrant's telephone number, including area code: (201) 791-7600

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

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

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

Large accelerated filer x Accelerated filer ¨

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

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

There were 211,157,615 shares of the registrant's common stock, par value $0.10 per share, issued and outstanding as of October 31, 2014.

SEALED AIR CORPORATION AND SUBSIDIARIES

FORM 10-Q

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2014

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Cautionary Notice Regarding Forward-Looking Statements

This report contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995 concerning our business, consolidated financial condition and results of operations. The Securities and Exchange Commission (“SEC”) encourages companies to disclose forward-looking statements so that investors can better understand a company’s future prospects and make informed investment decisions. Forward-looking statements are subject to risks and uncertainties, many of which are outside our control, which could cause actual results to differ materially from these statements. Forward-looking statements can be identified by such words as “anticipates,” “believes,” “plan,” “assumes,” “could,” “should,” “estimates,” “expects,” “intends,” “potential,” “seek,” “predict,” “may,” “will” and simil
All statements other than statements of historical facts included in this report regarding our strategies, prospects, financial condition, operations, costs, plans and objectives are forward-looking statements. These statements reflect our beliefs and expectations as to future events and trends affecting our business, our condensed consolidated financial condition and results of operations. These forward-looking statements are based upon our current expectations concerning future events and discuss, among other things, anticipated future financial performance and future business plans. Examples of these forward-looking statements include projections regarding our 2014 outlook and other projections relating to our financial performance in Part I, Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations (“MD&A”).

The following are important factors that we believe could cause actual results to differ materially from those in our forward-looking statements: the expected cash tax benefits associated with the Settlement agreement (as defined in our 2013 Annual Report on Form 10-K); global economic and political conditions; changes in our credit ratings; changes in raw material pricing and availability; changes in energy costs; competitive conditions; success of our restructuring and relocation activities; currency translation and devaluation effects, including in Venezuela; the success of our financial growth, profitability, cash generation and manufacturing strategies and our cost reduction and productivity efforts; the effects of animal and food-related health issues; pandemics; consumer preferences; environmental matters; regulatory actions and legal matters; and the other information referenced below in Part II, Item 1A, “Risk Factors.” Except as required by the federal securities laws, we undertake no obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

Non-U.S. GAAP Information

We present financial information that conforms to Generally Accepted Accounting Principles in the United States of America (“U.S. GAAP”). We also present financial information that does not conform to U.S. GAAP, which we refer to as non-U.S. GAAP, as our management believes it is useful to investors. In addition, non-U.S. GAAP measures are used by management to review and analyze our operating performance and, along with other data, as internal measures for setting annual budgets and forecasts, assessing financial performance, providing guidance and comparing our financial performance with our peers. The non-U.S. GAAP information has limitations as an analytical tool and should not be considered in isolation from or as a substitute for U.S. GAAP information. It does not purport to represent any similarly titled U.S. GAAP information and is not an indicator of our performance under U.S. GAAP. Non-U.S. GAAP financial measures that we present may not be comparable with similarly titled measures used by others. Investors are cautioned against placing undue reliance on these non-U.S. GAAP measures. Further, investors are urged to review and consider carefully the adjustments made by management to the most directly comparable U.S. GAAP financial measure to arrive at these non-U.S. GAAP financial measures. See Note 4, “Segments” and our 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 ("Tax Rate"). The Tax Rate is a measure of our U.S. GAAP effective tax rate, adjusted to exclude the tax impact from the special items that are excluded from our Adjusted Net Earnings and Adjusted EPS metrics. The Tax Rate is an indicator of the taxes on our core business. The tax situation and effective tax rate in the specific countries where the excluded or special items occur will determine the impact (positive or negative) to the Tax Rate.

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.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

SEALED AIR CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(In millions, except share data)

	September 30, 2014 (unaudited)	December 2013
ASSETS		
Current assets:		
Cash and cash equivalents	$ 420.7	$ 992.4
Trade receivables, net of allowance for doubtful accounts of $31.5 in 2014 and $31.4 in 2013	1,042.7	1,126.4
Other receivables	362.6	147.9
Inventories	765.7	688.4
Deferred taxes	101.8	377.7
Prepaid expenses and other current assets	219.2	84.9
Total current assets	2,912.7	3,417.7
Property and equipment, net	1,024.3	1,134.5
Goodwill	3,057.0	3,114.6
Intangible assets, net	909.6	1,016.9
Non-current deferred taxes	78.0	63.1
Other non-current assets	372.9	387.4
Total assets	$ 8,354.5	$ 9,134.2
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Short-term borrowings	$ 417.0	$ 81.6
Current portion of long-term debt	1.3	201.5
Accounts payable	660.2	524.5
Deferred taxes	9.5	8.1
Settlement agreement and related accrued interest	—	925.1
Accrued restructuring costs	46.2	69.6
Other current liabilities	886.1	890.4
Total current liabilities	2,020.3	2,700.8
Long-term debt, less current portion	4,197.7	4,116.4
Non-current deferred taxes	231.3	278.6
Other non-current liabilities	577.9	647.9
Total liabilities	7,027.2	7,743.7
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, $0.10 par value per share, 50,000,000 shares authorized; no shares issued in 2014 and 2013	—	—

Common stock, $0.10 par value per share, 400,000,000 shares authorized; shares issued: 224,631,950 in 2014 and 205,707,580 in 2013; shares outstanding: 211,883,620 in 2014 and 196,198,672 in 2013	22.5	20.6
Common stock reserved for issuance related to Settlement agreement, $0.10 par value per share, no shares in 2014 and 18,000,000 shares in 2013	—	1.8
Additional paid-in capital	1,733.0	1,695.3
Retained earnings	383.9	276.4
Common stock in treasury, 12,748,330 shares in 2014 and 9,508,908 shares in 2013	(431.3)	(327.6)
Accumulated other comprehensive loss, net of taxes:		
Unrecognized pension items	(132.9)	(146.2)
Cumulative translation adjustment	(251.9)	(134.4)
Unrealized gains on derivative instruments	4.0	3.2
Total accumulated other comprehensive loss, net of taxes	(380.8)	(277.4)
Total parent company stockholders' equity	1,327.3	1,389.1
Noncontrolling interests	—	1.4
Total stockholders’ equity	1,327.3	1,390.5
Total liabilities and stockholders’ equity	$ 8,354.5	$ 9,134.2

See accompanying Notes to Condensed Consolidated Financial Statements.

SEALED AIR CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

(In millions, except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Net sales	$1,975.5	$1,912.0	$5,776.8	$5,678.3
Cost of sales	1,281.9	1,262.1	3,762.3	3,757.1
Gross profit	693.6	649.9	2,014.5	1,921.2
Selling, general and administrative expenses	467.4	426.0	1,374.5	1,310.6
Amortization expense of intangible assets acquired	30.4	29.1	92.8	92.4
Stock appreciation rights expense	1.0	8.7	3.2	26.8
Integration related costs	1.4	0.3	3.3	0.7
Restructuring and other charges	11.4	49.5	31.6	61.2
Operating profit	182.0	136.3	509.1	429.5
Interest expense	(69.7)	(88.9)	(222.1)	(269.4)
Impairment of equity method investment	—	(2.1)	(5.7)	(2.1)
Foreign currency exchange (losses) gains related to Venezuelan subsidiaries	(4.1)	0.7	(18.9)	(12.9)
Gain from Claims Settlement	—	—	21.1	—
Loss on debt redemption and refinancing activities	(17.7)	—	(18.5)	(32.4)
Other income (expense), net	4.5	0.3	5.8	(2.7)
Earnings from continuing operations before income tax provision	95.0	46.3	270.8	110.0
Income tax provision	35.7	11.2	79.5	19.9
Net earnings from continuing operations	59.3	35.1	191.3	90.1
Net earnings from discontinued operations	—	2.5	—	6.5
Net earnings available to common stockholders	$59.3	$37.6	$191.3	$96.6
Net earnings per common share:				
Basic:				
Continuing operations	$0.28	$0.18	$0.91	$0.46
Discontinued operations	—	0.01	—	0.03
Net earnings per common share - basic	$0.28	$0.19	$0.91	$0.49
Diluted:				
Continuing operations	$0.28	$0.17	$0.88	$0.42
Discontinued operations	—	0.01	—	0.03
Net earnings per common share - diluted	$0.28	$0.18	$0.88	$0.45
Dividends per common share	$0.13	$0.13	$0.39	$0.39
Weighted average number of common shares outstanding:				
Basic	210.4	194.9	210.2	194.5
Diluted	213.5	215.3	215.3	214.9

See accompanying Notes to Condensed Consolidated Financial Statements.

SEALED AIR CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(Unaudited)

(In millions)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Net earnings available to common stockholders	$ 59.3	$ 37.6	$ 191.3	$ 96.6
Other comprehensive income (loss), net of taxes:				
Recognition of deferred pension items, net of taxes of $(2.9) for the three months ended September 30, 2014, $(0.1) for the three months ended September 30, 2013, $(3.0) for the nine months ended September 30, 2014 and $(1.8) for the nine months ended September 30, 2013	10.9	(1.2)	13.3	4.8
Foreign currency translation adjustments	(140.6)	28.3	(117.5)	(88.8)
Unrealized gains (losses) on derivative instruments, net of taxes of $(0.8) for the three months ended September 30, 2014, $1.3 for the three months ended September 30, 2013, $0.4 for the nine months ended September 30, 2014 and $(0.2) for the nine months ended September 30, 2013	4.2	(3.4)	0.8	(0.1)
Comprehensive income (loss), net of taxes	$ (66.2)	$ 61.3	$ 87.9	$ 12.5

See accompanying Notes to Condensed Consolidated Financial Statements.

SEALED AIR CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(In millions)

	Nine months ended September 30,	
	2014	2013
Net earnings available to common stockholders from continuing operations	$191.3	$90.1
Adjustments to reconcile net earnings to net cash (used in) provided by operating activities from continuing operations:		
Depreciation and amortization	205.0	213.6
Share-based incentive compensation	36.7	20.4
Profit sharing expense	28.3	29.5
Integration related costs	3.3	0.7
Amortization of senior debt related items and other	5.1	12.3
Loss on debt redemption and refinancing activities	18.5	32.4
Impairment of equity method investment	5.7	2.1
Asset impairment	4.1	—
Development grant matter	14.0	—
Provisions for bad debt	5.4	9.6
Provisions for inventory obsolescence	10.3	2.3
Gain from Claims Settlement	(21.1)	—
Deferred taxes, net	4.3	(48.5)
Net (gain) on disposals of property and equipment and other	(2.7)	(1.2)
Changes in operating assets and liabilities:		
Trade receivables, net	(62.5)	(34.7)
Inventories	(121.0)	(107.6)
Other assets	(31.9)	(40.5)
Accounts payable	159.1	48.2
Settlement agreement and related accrued interest	(929.7)	36.2
Other liabilities	(3.9)	5.1
Net cash (used in) provided by operating activities from continuing operations	(481.7)	270.0
Cash flows from investing activities from continuing operations:		
Capital expenditures	(93.8)	(79.6)
Businesses acquired in purchase transactions, net of cash and cash equivalents acquired	(3.1)	(1.5)
Proceeds from sales of property and equipment	8.7	5.8
Other investing activities	(0.5)	0.3
Net cash used in investing activities from continuing operations	(88.7)	(75.0)
Cash flows from financing activities from continuing operations:		
Net proceeds from short-term borrowings	342.6	43.4
Payments of long-term debt	(1,540.1)	(456.1)
Proceeds from long-term debt	1,431.3	425.1
Dividends paid on common stock	(83.9)	(76.4)
Acquisition of common stock for tax withholding obligations under our 2005 contingent stock plan	(2.9)	(3.9)

Repurchases of common stock	(134.0)	—
Payments of debt issuance costs	(12.3)	(7.7)
Payments for debt extinguishment costs	—	(26.2)
Net cash provided by (used in) financing activities from continuing operations	0.7	(101.8)
Effect of foreign currency exchange rate changes on cash and cash equivalents	(2.0)	(3.9)
Net change in cash and cash equivalents from continuing operations	(571.7)	89.3
Net cash provided by operating activities from discontinued operations	—	8.2
Net cash used in investing activities from discontinued operations	—	(0.4)
Net change in cash and cash equivalents from discontinued operations	—	7.8
Cash and cash equivalents:		
Balance, beginning of period	992.4	679.6
Net change during the period	(571.7)	97.1
Balance, end of period	$420.7	$776.7
Supplemental Cash Flow Information:		
Interest payments, net of amounts capitalized	$660.6	$254.0
Income tax payments	$65.8	$77.2
Stock appreciation rights payments (less amounts included in restructuring payments)	$18.0	$42.8
Restructuring payments including associated costs	$75.8	$71.7
Non-cash items:		
Transfers of shares of our common stock from treasury for our 2013 and 2012 profit-sharing plan contributions	$33.2	$18.6
Transfer of shares of our common stock reserved as part of the funding of the Settlement agreement	$1.8	$—

See accompanying Notes to Condensed Consolidated Financial Statements.

SEALED AIR CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(Unaudited)

(Amounts are in millions, except per share data)

(1) Organization and Basis of Presentation

Organization

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

We conduct substantially all of our business through three wholly-owned subsidiaries, Cryovac, Inc., Sealed Air Corporation (US) and Diversey, Inc. Throughout this report, when we refer to "Sealed Air," the "Company," "we," "our," 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 September 30, 2014 and our condensed consolidated statements of operations for the three and nine months ended September 30, 2014 and 2013 have been made. The results set forth in our condensed consolidated statements of operations for the three and nine months ended September 30, 2014 and in our condensed consolidated statements of cash flows for the nine months ended September 30, 2014 are not necessarily indicative of the results to be expected for the full year. All amounts are in millions, except per share amounts, and approximate due to rounding. Some prior period amounts have been reclassified to conform to the current year presentation. These reclassifications, individually and in the aggregate, had no impact on our condensed consolidated financial condition, results of operations and cash flows.

In the three months ended September 30, 2014, we determined that we did not include any Performance Share Unit ("PSU") awards in our diluted weighted average number of common shares outstanding previously reported in 2014 and 2013, although the achievement levels of the respective performance conditions were met at the end of each of the respective reporting periods in 2014 and 2013. The impact of not including these shares in the previously reported periods in 2014 and 2013 was not material to the calculation of the weighted average shares included in the diluted net earnings per common share under the two-class method and had no impact on diluted net earnings per common share for these periods. Accordingly, we do not consider this correction to be material to our previously reported diluted weighted average number of common shares outstanding or our previously reported net earnings per common share. See Note 17, "Net Earnings Per Common Share" for further details.

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, 2013 as filed with the SEC on February 28, 2014 ("2013 Form 10-K") and with the information contained in other publicly-available filings with the SEC.

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

Effective as of January 1, 2014, we changed our segment reporting structure. There was no change to our previously reported Consolidated Balance Sheets, Consolidated Statements of Operations, Consolidated Statements of Comprehensive Income, Consolidated Statements of Stockholders' Equity or Consolidated Statements of Cash Flows due to our change in segment reporting structure. See our Current Report on Form 8-K filed with the SEC on June 6, 2014 for further details on the changes to our segment reporting and Note 4, "Segments" for further information.

(2) Recently Issued Accounting Standards

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

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers," ("ASU 2014-09"). Previous revenue recognition guidance in U.S. GAAP comprised broad revenue recognition concepts together with numerous revenue requirements for particular industries or transactions, which sometimes resulted in different accounting for economically similar transactions. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve this core principal, five steps are required to be applied. In addition, ASU 2014-09 expands and enhances disclosure requirements which require disclosing sufficient information to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. This includes both qualitative and quantitative information. The amendments in ASU 2014-09 are effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. Early application is not permitted. We are currently in the process of evaluating this new standard update.

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

In August 2014, the FASB issued ASU 2014-15, "Presentation of Financial Statements—Going Concern (Subtopic 205-40)," ("ASU 2014-15"). ASU 2014-15 requires that for each annual and interim reporting period, an entity's management should evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date that the financial statements are issued (or within one year after the date that the financial statements are available to be issued when applicable). The amendments in ASU 2014-15 are effective for the annual period ending after December 15, 2016, and for annual periods and interim periods thereafter. Early application is permitted. We currently do not expect the adoption of this standard update to have a material impact on our condensed consolidated financial statements.

(3) Divestiture

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

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

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

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

	Three Months Ended September 30, 2013		Nine Months Ended September 30, 2013	
Net sales	$	23.8	$	71.9
Operating profit	$	3.6	$	9.5
Earnings before income tax provision	$	3.6	$	9.3
Income tax provision		1.1		2.8
Net earnings from discontinued operations, net of tax	$	2.5	$	6.5

(4) Segments

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

As a result, our new segment reporting structure consists of three reportable segments and an "Other" category and is as follows:

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

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

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

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

We allocate and disclose depreciation and amortization expense to our segments, although property and equipment, net is not allocated to the segment assets, nor is depreciation and amortization included in the segment performance metric Adjusted EBITDA. We also disclose restructuring and other charges by segment, although it is not included in the segment performance metric Adjusted EBITDA since restructuring and other charges is categorized as a special item as discussed above. The accounting policies of the reportable segments and Other are the same as those applied to the condensed consolidated financial statements.

The changes in our segment structure and segment performance measure better provides the CODM with information to assess segment performance and to make resource and allocation decisions, as the new segment structure and performance measure reflect the current management of our businesses. Accordingly, the new measure will also assist our investors by providing them with a better understanding of the segment so that the user can make a more informed decision about the Company, which is consistent with FASB ASC Topic 280.

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

	Three Months Ended September,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Net Sales:				
Food Care	$983.4	$951.0	$2,849.9	$2,801.1
As a % of Total Company net sales	49.8 %	49.7 %	49.3 %	49.3 %
Diversey Care	550.8	532.0	1,637.2	1,614.9
As a % of Total Company net sales	27.9 %	27.8 %	28.3 %	28.4 %
Product Care	420.7	403.1	1,223.2	1,185.1
As a % of Total Company net sales	21.3 %	21.1 %	21.2 %	20.9 %
Total Reportable Segments Net Sales	1,954.9	1,886.1	5,710.3	5,601.1
Other	20.6	25.9	66.5	77.2
Total Company Net Sales	$1,975.5	$1,912.0	$5,776.8	$5,678.3
Adjusted EBITDA:				
Food Care	$178.4	$160.6	$497.3	$454.5
Adjusted EBITDA Margin	18.1 %	16.9 %	17.4 %	16.2 %
Diversey Care	69.9	60.7	186.7	176.6
Adjusted EBITDA Margin	12.7 %	11.4 %	11.4 %	10.9 %
Product Care	74.4	69.4	215.4	193.3
Adjusted EBITDA Margin	17.7 %	17.2 %	17.6 %	16.3 %
Total Reportable Segments Adjusted EBITDA	322.7	290.7	899.4	824.4
Other	(23.1)	(14.2)	(63.4)	(54.3)
Non-U.S. GAAP Total Company Adjusted EBITDA	$299.6	$276.5	$836.0	$770.1
Adjusted EBITDA Margin	15.2 %	14.5 %	14.5 %	13.6 %

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Non-U.S. GAAP Total Company Adjusted EBITDA	$ 299.6	$ 276.5	$ 836.0	$ 770.1
Depreciation and amortization [1]	(77.3)	(72.7)	(241.7)	(234.0)
Special items [2]:				
Write down of non-strategic assets included in depreciation and amortization	0.4	—	0.2	5.0
Restructuring and other charges[3]	(11.4)	(49.5)	(31.6)	(61.2)
Other restructuring associated costs included in cost of sales and selling general and administrative expenses	(8.0)	(8.3)	(23.4)	(24.9)
Development grant matter included in selling, general and administrative expenses	(14.0)	—	(14.0)	—
Relocation costs included in selling, general and administrative expenses	(0.5)	—	(0.5)	—
SARs	(1.0)	(8.7)	(3.2)	(26.8)
Integration related costs	(1.4)	(0.3)	(3.3)	(0.7)
Impairment of equity method investment	-	(2.1)	(5.7)	(2.1)
Foreign currency exchange (losses) gains related to Venezuelan subsidiaries	(4.1)	0.7	(18.9)	(12.9)
Loss on debt redemption and refinancing activities	(17.7)	—	(18.5)	(32.4)
Gain from Claims Settlement in 2014 and related costs	(0.1)	(0.3)	20.5	(0.6)
Non-operating charge for contingent guarantee included in other income (expense), net	(2.5)	—	(2.5)	—
Other income (expense), net	2.7	(0.1)	(0.5)	(0.1)
Interest expense	(69.7)	(88.9)	(222.1)	(269.4)
Income tax provision	35.7	11.2	79.5	19.9
U.S. GAAP net earnings from continuing operations	$ 59.3	$ 35.1	$ 191.3	$ 90.1

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

Three Months Ended

	September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Food Care	$ 30.6	$ 29.9	$92.1	$89.3
Diversey Care	31.9	30.9	98.9	99.0
Product Care	9.8	9.4	30.7	28.8
Total reportable segments	72.3	70.2	221.7	217.1
Other	5.0	2.5	20.0	16.9
Total Company depreciation and amortization	$ 77.3	$ 72.7	$241.7	$234.0

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Food Care	$ 1.8	$ 16.4	$ 12.9	$ 19.9
Diversey Care	8.2	21.4	12.0	26.3
Product Care	1.3	10.4	6.3	13.6
Total reportable segments	11.3	48.2	31.2	59.8
Other	0.1	1.3	0.4	1.4
Total Company restructuring and other charges	$ 11.4	$ 49.5	$ 31.6	$ 61.2

Allocation of Goodwill and Identifiable Intangible Assets to Reportable Segments

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

(5) Inventories

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

	September 30, 2014	December 3 2013
Inventories (at FIFO, which approximates replacement value):		
Raw materials	$ 115.9	$ 116.6
Work in process	126.1	110.9
Finished goods	576.7	514.5
Subtotal (at FIFO)	818.7	742.0
Reduction of certain inventories to LIFO basis	(53.0)	(53.6)
Total	$ 765.7	$ 688.4

We determine the value of some of our non-equipment U.S. inventories by the last-in, first-out, or LIFO, inventory method. U.S. inventories determined by the LIFO method were $123 million at September 30, 2014 and $101 million

at December 31, 2013.

(6) Property and Equipment, net

The following table details our property and equipment, net:

	September 30, 2014	December 31, 2013
Land and improvements	$ 114.7	$ 135.8
Buildings	661.9	729.6
Machinery and equipment	2,421.8	2,488.4
Other property and equipment	164.1	164.8
Construction-in-progress	120.5	107.1
Property and equipment, gross	3,483.0	3,625.7
Accumulated depreciation and amortization	(2,458.7)	(2,491.2)
Property and equipment, net	$ 1,024.3	$ 1,134.5

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Interest cost capitalized	$ 2.0	$ 1.0	$ 4.5	$ 3.7
Depreciation and amortization expense for property and equipment	$ 36.6	$ 38.1	$ 112.2	$ 121.2

(7) Goodwill and Identifiable Intangible Assets

Goodwill

The following table shows our goodwill balances by our segment reporting structure. See Note 4, “Segments” for further details of our new segment structure. We review goodwill for impairment on a reporting unit basis annually during the fourth quarter of each year and whenever events or changes in circumstances indicate the carrying value of goodwill may not be recoverable. As of September 30, 2014, we did not identify any changes in circumstances that would indicate the carrying value of goodwill may not be recoverable.

	Carrying Value at December 31, 2013	Accumulated Impairment	Carrying Value at December 31, 2013	Impact of Foreign Currency Translation Nine Months Ended September 30, 2014	Carrying Value at September 30, 2014	Accumulated Impairment	Carrying Value at September 30, 2014
Food Care	$ 833.7	$ (208.0)	$ 625.7	$ (5.7)	$ 828.0	$ (208.0)	$ 620.0
Diversey Care	1,994.1	(883.0)	1,111.1	(51.1)	1,943.0	(883.0)	1,060.0
Product Care	1,372.8	—	1,372.8	(0.9)	1,371.9	—	1,371.9
Other	5.0	—	5.0	0.1	5.1	—	5.1
Total	$ 4,205.6	$ (1,091.0)	$ 3,114.6	$ (57.6)	$ 4,148.0	$ (1,091.0)	$ 3,057.0

Identifiable Intangible Assets

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

	September 30, 2014				December 31, 2013			
	Gross Carrying Value	Accumulated Amortization	Accumulated Impairment	Net	Gross Carrying Value	Accumulated Amortization	Accumulated Impairment	Net
Customer relationships	$920.1	$ (204.0)	$ (148.9)	$567.2	$961.3	$ (171.2)	$ (148.9)	$641.2
Trademarks and trade names	882.6	(0.2)	(630.2)	252.2	881.5	(0.1)	(630.2)	251.2
Technology	259.0	(161.7)	(22.2)	75.1	252.6	(128.0)	(22.2)	102.4
Contracts	42.6	(27.5)	—	15.1	44.0	(21.9)	—	22.1
Total	$2,104.3	$ (393.4)	$ (801.3)	$909.6	$2,139.4	$ (321.2)	$ (801.3)	$1,016.9

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

Year	Amount
2014	$ 22.3
2015	85.9
2016	84.6
2017	79.0
2018	67.9
Thereafter	318.8
Total	$ 658.5

(8) Accounts Receivable Securitization Programs

U.S. Accounts Receivable Securitization Program

We and a group of our U.S. subsidiaries maintain an accounts receivable securitization program with two banks and issuers of commercial paper administered by these banks. As of September 30, 2014, the maximum purchase limit for receivable interests was $100 million, subject to the availability limits described below.

The amounts available from time to time under this program may be less than $100 million due to a number of factors, including but not limited to our credit ratings, trade receivable balances, the creditworthiness of our customers and our receivables collection experience. During the three months and nine months ended September 30, 2014, the level of eligible assets available under the program was lower than $100 million primarily due to certain required reserves against our receivables. As a result, the amount available to us under the program was $87 million at September 30, 2014. Although we do not believe restrictions under this program presently materially restrict our operations, if an additional event occurs that triggers one of these restrictive provisions, we could experience a further decline in the amounts available to us under the program or termination of the program.

This program expires annually in September and is renewable. The program was renewed in September 2014 for an additional year and the program size was reduced from $125 million to $100 million.

European Accounts Receivable Securitization Program

We and a group of our European subsidiaries maintain an accounts receivable securitization program with a special purpose vehicle, or SPV, two banks and issuers of commercial paper administered by these banks. As of September 30, 2014, the maximum purchase limit for receivable interests was €95 million, ($120 million equivalent at September 30, 2014) subject to availability limits. The terms and provisions of this program are similar to our U.S. program discussed above. As of September 30, 2014, the amount available under this program was €95 million ($120 million equivalent as of September 30, 2014).

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

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

Utilization of Our Accounts Receivable Securitization Programs

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

In connection with the funding of the payment of the Settlement agreement on February 3, 2014, we utilized both our U.S. and European programs. At September 30, 2014, we have $88 million available to us under the U.S. program and €95 million ($120 million equivalent as of September 30, 2014) available to us under the European program. At September 30, 2014, the total amount of borrowings under our U.S. program was $87 million (no borrowings under

our European program) and the trade receivables that served as collateral for these borrowings were reclassified from trade receivables, net to prepaid expenses and other current assets on the condensed consolidated balance sheet in accordance with FASB ASC 860. The weighted average interest rate for these borrowings was 0.89% at September 30, 2014. We continue to service the trade receivables supporting the programs, and the banks are permitted to re-pledge this collateral. Total interest expense related to the use of these programs was approximately $2 million in the nine months ended September 30, 2014.

Under limited circumstances, the banks and the issuers of commercial paper can end purchases of receivables interests before the above expiration dates. A failure to comply with debt leverage or various other ratios related to our receivables collection experience could result in termination of the receivables programs. We were in compliance with these ratios at September 30, 2014.

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

(9) Restructuring and Relocation Activities

The following table details our material restructuring activities.

	Three Months Ended September 30,						Nine Months Ended September 30,					
	2014			2013			2014			2013		
	IOP	EQIP	Total	IOP	EQIP	Total	IOP	EQIP	Total	IOP	EQIP	Total
Other associated costs	$2.6	$ 4.3	$6.9	$3.6	$4.8	$8.4	$4.6	$14.9	$19.5	$12.1	$6.7	$18.8
Restructuring charges	7.3	3.8	11.1	0.2	48.0	48.2	12.8	18.5	31.3	(4.8)	64.7	59.9
Total	$9.9	$ 8.1	$18.0	$3.8	$52.8	$56.6	$17.4	$33.4	$50.8	$7.3	$71.4	$78.7

Earnings Quality Improvement Program (EQIP)

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

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

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

EQIP restructuring accrual at December 31, 2013	$55.9
Accrual and accrual adjustments	18.5
Cash payments during 2014	(42.3)
Effect of changes in foreign currency exchange rates	(1.2)

EQIP restructuring accrual at September 30, 2014	$30.9

Cumulative cash payments made in connection with this program, including associated costs through September 30, 2014, were $91 million. We expect to pay $28 million of the accrual balance remaining at September 30, 2014 within the next twelve months. This amount is included in accrued restructuring costs on the condensed consolidated balance sheet at September 30, 2014. The majority of the remaining accrual of $3 million is expected to be paid in 2015 with minimal amounts to be paid out in 2016. This amount is included in other liabilities on our condensed consolidated balance sheet at September 30, 2014.

Capital expenditures related to this program were $15 million in the nine months ended September 30, 2014 and there were less than $1 million in the nine months ended September 30, 2013. Capital expenditures mainly relate to supply chain network optimization.

Integration and Optimization Program (IOP)

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

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

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

IOP restructuring accrual at December 31, 2013	$24.5
Accrual and accrual adjustments	12.8
Cash payments during 2014	(17.5)
Effect of changes in foreign currency exchange rates	(1.7)
IOP restructuring accrual at September 30, 2014	$18.1

Cumulative cash payments made in connection with this program, including associated costs through September 30, 2014, were $212 million. We expect to pay substantially all of the accrual balance remaining at September 30, 2014 within the next twelve months. This amount is included in accrued restructuring costs on the condensed consolidated balance sheet at September 30, 2014.

Capital expenditures related to this program were $1 million in the nine months ended September 30, 2014 and $10 million in the nine months ended September 30, 2013. Capital expenditures mainly relate to facilities and supply chain network optimization.

Relocation Activities

New Global Headquarters

On July 23, 2014, we announced that we will be establishing a new global headquarters in Charlotte, North Carolina. We will relocate the headquarters for our divisions, research and development facilities, and corporate offices. Within the next three years, we anticipate approximately 1,300 jobs will be relocated to Charlotte from our current corporate headquarters in Elmwood Park, New Jersey; all or part of our facilities in Saddle Brook, New Jersey; Danbury, Connecticut; Racine, Wisconsin; and, Duncan and Greenville, South Carolina. We will also relocate a small number of jobs from other locations.

In the three months ended September 30, 2014, we recognized less than $1 million of expenses related to the relocation efforts. These expenses were included in selling, marketing and administrative expenses on our condensed consolidated statements of operations.

Sale of Building in Racine, Wisconsin

On August 31, 2014, in connection with our relocation efforts, we signed an agreement for purchase and sale relating to our building located in Racine, Wisconsin. As of September 30, 2014, the building and certain related assets met the criteria of assets held for sale classification. Accordingly we reclassified $26 million from property, plant and equipment to assets held for sale, which is included in prepaid expenses and other current assets on our condensed Consolidated Balance Sheet as of September 30, 2014. We expect this sale to close during the fourth quarter of 2014.

(10) Debt and Credit Facilities

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

	September 30, 2014	December 31, 2013
Short-term borrowings [1]	$ 417.0	$ 81.6
Current portion of long-term debt[2]	1.3	201.5
Total current debt	418.3	283.1
Term Loan A Facility due July 2019 (October 2016 prior to refinance), less unamortized lender fees of $11.3 in 2014 and $8.4 in 2013 [3]	1,146.7	634.8
Term Loan A Facility due July 2017, less unamortized lender fees of $0.4 in 2014[3]	249.7	-
Term Loan B Facility, less unamortized lender fees of $7.3 in 2013, and unamortized discount of $10.8 in 2013[3]	-	681.6
8.125% Senior Notes due September 2019	750.0	750.0
6.50% Senior Notes due December 2020[4]	425.6	424.1
8.375% Senior Notes due September 2021	750.0	750.0
5.25% Senior Notes due April 2023	425.0	425.0
6.875% Senior Notes due July 2033, less unamortized discount of $1.3 in 2014 and $1.4 in 2013	448.7	448.6
Other	2.0	2.3
Total long-term debt, less current portion	4,197.7	4,116.4
Total debt[5]	$ 4,616.0	$ 4,399.5

[1] September 30, 2014 is comprised primarily of $87 million of borrowings outstanding under our U.S. accounts receivable securitization program and $276 million of borrowings outstanding under our revolving credit facility, of which we have the intent and ability to repay within twelve months as of September 30, 2014. As of December 31, 2013, we had no amounts outstanding under either the U.S. or European program, and we did not utilize these programs during 2013.

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

[3] On July 25, 2014, the Company entered into a second restatement agreement for refinancing of the term loan A facilities, term loan B facilities and revolving credit facilities with new term loan A facilities. See below for further information

[4] We had $100 million notional amount of outstanding interest rate swaps associated with the 6.50% Senior Notes.

[5] The weighted average interest rate on our total outstanding debt was 5.5% as of September 30, 2014 and 6.2% as of December 31, 2013.

Amended and Restated Senior Secured Credit Facilities

On July 25, 2014, the Company entered into a second restatement agreement (the "Second Restatement Agreement") whereby its senior secured credit facility was amended and restated (the "Second Amended and Restated Credit Agreement") with Bank of America, N.A., as agent, and the other financial institutions party thereto. The changes

include (i) the refinancing of the term loan A facilities, term loan B facilities and revolving credit facilities with new term loan A facilities (including facilities in Canadian dollars, euros, Japanese yen, pounds sterling and U.S. dollars) in an aggregate principal amount equivalent to $1,330 million and revolving credit facilities of $700 million, (ii) a new $100 million delayed draw term loan A facility (used for our Brazilian operations), (iii) a 0.75% reduction of the interest rate margin for the term loan A facilities and revolving credit facilities, (iv) extension of the final maturity of the term loan A facilities and revolving credit commitment to July 25, 2019, (v) adjustments to the financial maintenance covenant of Consolidated Net Debt to Consolidated EBITDA (as defined in the Second Amended and Restated Credit Agreement) and other covenants to provide additional flexibility to the Company and (vi) other amendments.

On August 29, 2014, we completed the $100 million delayed draw of the term loan A facility. In connection with this loan, we also entered into interest rate and currency swaps in a notional amount of $100 million, which convert our floating U.S. dollar denominated obligation under the term loan A into a fixed rate Brazilian real denominated obligation.

As a result of the Second Restatement Agreement, we recognized $18 million of loss on debt redemption in our condensed consolidated statements of operations. This amount includes $13 million of accelerated amortization of original issuance discount related to the term loan B and lender and non-lender fees related to the entire credit facility. Also included in the loss on debt redemption was $5 million of non-lender fees incurred in connection with the Second Restatement Agreement. In addition, we incurred $2 million of lender fees that are included in the carrying amounts of the outstanding debt under the credit facility. We also capitalized $5 million of non-lender fees that are included in other assets on our condensed consolidated balance sheet.

The amortization expense related to original issuance discount and lender and non-lender fees is calculated using the effective interest rate method over the lives of the respective debt instruments. Total amortization expense in 2014 related to the Senior Secured Credit Facilities was $2 million for the three months and $9 million for the nine months ended September 30, 2014, and is included in interest expense in our condensed consolidated statements of operations.

Lines of Credit

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

	September 30, 2014	December 31, 2013
Used lines of credit [1]	$ 417.0	$ 81.6
Unused lines of credit	788.6	1,224.0
Total available lines of credit[2]	$ 1,205.6	$ 1,305.6

[1] Includes total borrowings under AR securitization program, revolving credit facility and borrowings under lines of credit available to several foreign subsidiaries.
[2] Of the total available lines of credit, $908 million were committed as of September 30, 2014.

Covenants

Each issue of our outstanding senior notes imposes limitations on our operations and those of specified subsidiaries. Additionally, the senior secured credit facility contains customary affirmative and negative covenants for credit facilities of this type, including limitations on our indebtedness, liens, investments, restricted payments, mergers and acquisitions, dispositions of assets, transactions with affiliates, amendment of documents and sale leasebacks, and a covenant specifying a maximum permitted ratio of Consolidated Net Debt to Consolidated EBITDA (as defined in the credit facility). We were in compliance with the above financial covenants and limitations at September 30, 2014.

(11) Derivatives and Hedging Activities

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

Foreign Currency Forward Contracts and Interest Rate and Currency Swaps Designated as Cash Flow Hedges

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

During August 2014, we entered into $100 million of interest rate and currency swap agreements in connection with the $100 million delayed draw of the term loan A facility.

Foreign Currency Forward Contracts Not Designated as Hedges

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

Interest Rate Swaps Designated as Fair Value Hedges

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

At September 30, 2014 and December 31, 2013, we had $100 million notional amount of outstanding interest rate swaps, which did not materially impact our condensed consolidated results of operations or financial position. See Note 10 "Debt and Credit Facility" for further details.

Other Derivative Instruments

We may use other derivative instruments from time to time, such as foreign exchange options to manage exposure to foreign exchange rates and interest rate and currency swaps related to access to international financing transactions. These instruments can potentially limit foreign exchange exposure by swapping borrowings denominated in one currency for borrowings denominated in another currency. At September 30, 2014 and December 31, 2013, we had no foreign exchange options. No interest rate and currency swap agreements were outstanding as of December 31, 2013.

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.

Fair Value of Derivative Instruments

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

	Fair Value of Asset Derivatives [1]		Fair Value of (Liability) Derivatives [1]	
	September 30, 2014	December 31, 2013	September 30, 2014	December 31, 2013
Derivatives designated as hedging instruments:				
Foreign currency forward contracts (cash flow hedges)	$3.1	$ 3.4	$(0.9)	$ (1.4)
Interest rate swaps (fair value hedges)	0.6	—	—	(1.0)
Interest rate and currency swaps (cash flow hedges)	7.3	—	—	—
Derivatives not designated as hedging instruments:				
Foreign currency forward contracts	21.9	7.1	(47.3)	(49.1)
Total	$32.9	$ 10.5	$(48.2)	$ (51.5)

[1] Asset derivatives are included in other assets and liability derivatives are included in other liabilities in the condensed consolidated balance sheets.

The following table details the effect of our derivative instruments on our condensed consolidated statements of operations. The gains and losses on foreign currency forward contracts included below were substantially offset by the losses and gains resulting from the remeasurement of the underlying foreign currency denominated items, which are included in other income (expense), net, on the condensed consolidated statement of operations. The underlying foreign currency denominated items include third party and intercompany receivables and payables and intercompany loans.

	Amount of Gain (Loss) Recognized in Earnings on Derivatives[1]			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Derivatives designated as hedging instruments:				
Foreign currency forward contracts	$(1.7)	$1.5	$ (0.5)	$ 1.7
Interest rate swaps	0.5	—	1.5	—
Interest rate and currency swaps	(0.8)	—	(0.8)	—
Derivatives not designated as hedging instruments:				
Foreign currency forward contracts	(7.0)	11.1	(11.9)	(5.1)
Total	$(9.0)	$12.6	$ (11.7)	$ (3.4)

[1] Amounts recognized on foreign currency forward contracts were included in other income (expense), net and amounts recognized on interest rate swaps and interest rate and currency swaps were included in interest expense.

(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:

September 30, 2014	Total Fair Value	Level 1	Level 2	Level 3
Cash equivalents	$ 104.0	$ —	$ 104.0	$ —
Derivative financial instruments net asset (liability):				
Interest rate swaps	$ 0.6	$ —	$ 0.6	$ —
Foreign currency forward contracts	$ (23.2)	$ —	$ (23.2)	$ —
Interest rate and currency swaps	$ 7.3	$ —	$ 7.3	$ —

December 31, 2013	Total Fair Value	Level 1	Level 2	Level 3
Cash equivalents	$ 491.9	$ —	$ 491.9	$ —
Derivative financial instruments net asset (liability):				
Interest rate swaps	$ (1.0)	$ —	$ (1.0)	$ —
Foreign currency forward contracts	$ (40.0)	$ —	$ (40.0)	$ —

Cash Equivalents

Our cash equivalents at September 30, 2014 and December 31, 2013 consisted of commercial paper and time deposits (fair value determined using Level 2 inputs). 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.

Derivative Financial Instruments

Our foreign currency forward contracts are recorded at fair value on our condensed consolidated balance sheets using an income approach valuation technique based on observable market inputs (Level 2).

Observable market inputs used in the calculation of the fair value of foreign currency forward contracts include foreign currency spot and forward rates obtained from an independent third party market data provider. In addition, other pricing data quoted by various banks and foreign currency dealers involving identical or comparable instruments are included.

Counterparties to these foreign currency forward contracts are rated at least A- by Standard & Poor’s and Baa1 by Moody’s. 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 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. 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 incorporate 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:

	September 30, 2014		December 31, 2013	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
12% Senior Notes due February 2014	$—	$—	$150.3	$150.6
Term Loan A Facility due July 2019 (October 2016 prior to refinance)	1,146.7	1,146.7	684.5	684.5
Term Loan A Facility due July 2017	249.7	249.7	-	-
Term Loan B Facility	—	—	681.6	681.6
8.125% Senior Notes due September 2019	750.0	808.7	750.0	841.4
6.50% Senior Notes due December 2020	425.6	455.9	424.1	456.7
8.375% Senior Notes due September 2021	750.0	834.4	750.0	853.1
5.25% Senior Notes due April 2023	425.0	419.6	425.0	414.7
6.875% Senior Notes due July 2033	448.7	462.0	448.6	431.2
Other foreign loans	57.0	56.8	85.0	84.9
Other domestic loans[1]	363.3	363.3	0.4	0.4
Total debt	$4,616.0	$4,797.1	$4,399.5	$4,599.1

[1] Includes $276 million outstanding under our revolving credit facility and $87 million outstanding under our U.S. accounts receivable securitization program.

As of September 30, 2014, we did not have any non-financial assets or liabilities 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 are inventories, net property and equipment, goodwill, intangible assets, and asset retirement obligations.

(13) Income Taxes

Effective Income Tax Rate and Income Tax Provision

The table below shows our effective income tax rate from continuing operations (“ETR”) for the three and nine months ended September 30, 2014 and September 30, 2013:

	Three Months Ended	Nine Months Ended
2014	37.6 %	29.4 %
2013	24.2 %	18.1 %

Our ETR in each period benefited from a favorable earnings mix with earnings in jurisdictions with low tax rates. For the nine months ended September 30, 2013, that benefit was enhanced by losses in jurisdictions, including the U.S., with high tax rates. Our ETR in each period was increased by the impact of special items, including foreign currency exchange losses related to Venezuelan subsidiaries with no tax benefit, as well as other losses and restructuring

charges in jurisdictions where we had a low or zero tax benefit due to the applicable tax rate or valuation allowances. Special items totaled $58 million for the three months ended September 30, 2014, resulting in a tax increase that exceeded the benefit from our favorable earnings mix and an ETR in excess of the U.S. federal statutory rate of 35%.

Our ETR during the three and nine months ended September 30, 2014 was also increased by the lapse of various U.S. tax provisions (the "Extenders"), including the research and development credit and certain foreign provisions. Conversely, our ETR for the nine months ended September 30, 2013 benefited from the retroactive reinstatement of the Extenders, for both 2012 and 2013. On January 2, 2013, the President signed the American Taxpayer Relief Act of 2012, retroactively reinstating and extending the Extenders from January 1, 2012 through December 31, 2013.

Our ETR for the nine months ended September 30, 2014 also benefitted from certain favorable discrete items totaling approximately $16 million, including $7 million from a favorable tax settlement and approximately $6 million from the release of reserves related to the expiration of the statute of limitations and a successful judicial verdict.

Unrecognized Tax Benefits

As noted above, during the nine months ended September 30, 2014, we reduced our unrecognized tax benefits by approximately $6 million. We have not changed our policy with regard to the reporting of penalties and interest related to unrecognized tax benefits.

(14) Commitments and Contingencies

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 financial condition or results 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 financial condition or results 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 financial position and results 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.

Development Grant Matter

On May 25, 2010, one of our Italian subsidiaries received a demand from the Italian Ministry of Economic Development (the "Ministry") for the total repayment of grant monies paid to two of our former subsidiaries in the amount of €5 million. With accrued interest the total value of the demand currently stands at €10 million ($14 million equivalent at September 30, 2014). The grant monies had previously been certified as payable by the Italian authorities and the grant process was finalized and closed in 2006. We acquired the former subsidiaries in September 2001 as part of an acquisition. The substance of the repayment demand is that the former owners of the subsidiaries made fraudulent claims and used fraudulent documents to support their grant application prior to our acquisition. There is no suggestion that we or our Italian subsidiary were directly involved in the grant process, but as purchaser of

the two companies, the Ministry is seeking repayment from our Italian subsidiary. Our Italian subsidiary submitted a total denial of liability in regard to this matter on June 30, 2010. A hearing on the merits was held on July 3, 2014 and in mid-September; our subsidiary was advised that the demand for repayment of €10 million was upheld. Accordingly, in the three months ended September 30, 2014, we have recorded a current liability and corresponding charge of $14 million related to this matter. The liability is included in other current liabilities on the condensed consolidated balance sheets and the charge is included in selling, general and administrative expenses on the condensed consolidated statements of operations. The charge is treated as a special item and included in Corporate in the Other category. We have filed an application to suspend enforcement of the judgment pending appeal.

(15) Stockholders' Equity

Repurchase of Common Stock

On June 13, 2014, Sealed Air repurchased $130 million, or 3,932,244 shares, of common stock at a price of $33.06 per share from the WRG Asbestos PI Trust. As a result, our common stock in treasury increased by $130 million. The Company funded the stock repurchase with $110 million from committed credit facilities and $20 million of accumulated cash and cash equivalents.

On August 9, 2007, we announced that our Board of Directors had approved a share repurchase program authorizing us to repurchase in the aggregate up to 20 million shares of our issued and outstanding common stock (described further under the caption, “Repurchases of Capital Stock,” in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Part II Item 7 of our Annual Report on Form 10-K). This program has no set expiration date. This program replaced our prior share repurchase program, which we terminated at that time.

In the three months ended September 30, 2014, we repurchased 112,500 shares of our common stock for approximately $4 million under a share trading plan we entered into with one of our brokers 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. We continued to repurchase shares during October 2014. The company funded the stock repurchase with cash and cash equivalents.

Quarterly Cash Dividends

On October 17, 2014, our Board of Directors declared a quarterly cash dividend of $0.13 per common share, approximately $28 million, which is payable on December 19, 2014 to stockholders of record at the close of business on December 5, 2014. On July 10, 2014, our Board of Directors declared a quarterly cash dividend of $0.13 per common share, or $28 million, which was paid on September 19, 2014 to stockholders of record at the close of business on September 5, 2014. On May 22, 2014, our Board of Directors declared a quarterly cash dividend of $0.13 per common share, or $28 million, which was paid on June 20, 2014 to stockholders of record at the close of business on June 6, 2014. On February 18, 2014, our Board of Directors declared a quarterly cash dividend of $0.13 per common share, or $28 million, which was paid on March 21, 2014 to stockholders of record at the close of business on March 7, 2014.

Our credit facility and certain of our senior 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 financial condition and results of operations. There is no guarantee that our Board of Directors will declare any further dividends.

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. As of September 30, 2014, total outstanding SARs was 0.6 million, and the total remaining unvested SARs was 0.3 million and will vest entirely by March 31, 2015.

Since these SARs are settled in cash, the amount of the related expense has fluctuated and the related future expense will fluctuate based on exercise and forfeiture activity and the changes in the assumptions used in a Black-Scholes valuation model, which include Sealed Air’s stock price, risk-free interest rates, expected volatility and a dividend yield. In addition, once vested, the related expense will continue to fluctuate due to the changes in the assumptions used in the Black-Scholes valuation model for any SARs that are not exercised until their respective expiration dates, the last of which is currently in March 2021.

We recognized SARs expense of $1 million in the three months ended September 30, 2014 and $3 million in the nine months ended September 30, 2014, related to SARs that were granted to Diversey employees who remained employees as of September 30, 2014. We also recognized SARs expense of $9 million in the three months ended September 30, 2013 and $27 million in the nine months ended September 30, 2013, related to SARs that were granted to Diversey employees who remained employees as of September 30, 2013. Cash payments due to the exercise of these SARs were $18 million for the nine months ended September 30, 2014 and $43 million for the nine months ended September 30, 2013. As of September 30, 2014, the liability for the remaining outstanding SARs was $19

million and is included in other current liabilities on the condensed consolidated balance sheets.

In addition to the amounts discussed above, $1 million of SARs payments were recorded in the nine months ended September 30, 2013 due to the exercise of SARs that were part of the termination and benefit costs for employees under the IOP. This expense was included in restructuring and other charges on our condensed consolidated statements of operations. We did not recognize any SARs-related restructuring expense in the nine months ended September 30, 2014, and there was no remaining liability for SARs included in the restructuring programs as of September 30, 2014.

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 for equity-based awards and to other liabilities for cash-based awards, 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 recognition, net of estimated forfeitures, of the expected cost of the program. For the various performance share unit ("PSU") awards programs and our stock leverage opportunity ("SLO") award programs, the cumulative amount accrued to date is adjusted up or down to the extent the expected performance against the targets has improved or worsened for the performance conditions components of the awards.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Total share-based incentive compensation expense[1]	$ 10.3	$ 5.5	$ 36.7	$ 20.4

[1] The amounts included above do not include the expense related to our U.S. profit sharing contributions made in the form of our common stock or the expense or income related to SARs and other cash-based awards. See Stock Appreciation Rights above for further details of SARs. At September 30, 2014, our other cash-based awards were not material to our condensed consolidated financial positions or results of operations.

Special PSU Program for 2014

During March 2014, the Compensation Committee approved a special PSU award to the executive officers and a broader group of other employees under the 2005 Contingent Stock Plan. The following summarizes the key features of the PSU awards:

the PSU awards are earned principally based on achievement of exceeding $1.7 billion of adjusted free cash flow (as defined in the award), above targets established in the Company's three-year strategic plan, over the three-year performance period of 2014-2016.

in addition, no portion of an award is earned unless we achieve a minimum specified level of earnings per share during the last year of the performance period, in order to balance the free cash flow goal with an appropriate focus on generating earnings.

to further balance the incentives, the amount earned based on adjusted free cash flow performance will be reduced by 25% if our relative Total Stockholder Return (as defined in the award) for the performance period is below a certain percentile of an approved peer group of companies.

payment of 50% of any PSUs earned during the performance period will be made during the first quarter of 2017. The remaining 50% of the earned PSUs is subject to an additional 2017 performance requirement, the ratio of working capital to net trade sales for 2017 (as defined in the award) and will be paid during the first quarter of 2018.

This special PSU award is in addition to other 2014 long-term incentive compensation opportunities. We recognized $2 million of share-based compensation expense related to this award in the three months ended September 30, 2014, and $6 million in the nine months ended September 30, 2014.

(16) Other Income (Expense), net

The following table provides details of other income (expense), net:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Interest and dividend income	$ 4.3	$ 2.5	$ 10.8	$ 8.1
Net foreign exchange transaction (losses) gains	(3.7)	1.0	(8.3)	(4.4)
Bank fee expense	(1.0)	(2.3)	(4.3)	(5.6)
Other, net	4.9	(0.9)	7.6	(0.8)
Other income (expense), net	$ 4.5	$ 0.3	$ 5.8	$ (2.7)

Gain from Claims Settlement

As previously disclosed in our 2013 Annual Report on Form 10-K, on February 3, 2014, we entered into the Claims Settlement agreement. Under the Claims Settlement agreement, we released and waived certain claims against the Grace Parties and the Grace Parties released and waived certain claims against us. As a result, we recognized a gain of $21 million during the nine months ended September 30, 2014, which consisted of the release of $17 million of certain tax liabilities and $4 million of other associated liabilities.

Impairment of Equity Method Investment

During the nine months ended September 30, 2014, we recognized an impairment of $6 million in connection with an equity method investment. This investment was not material to our condensed consolidated financial position or results of operations.

(17) 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:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Basic Net Earnings Per Common Share:				
Numerator				
Net earnings available to common stockholders	$ 59.3	$ 37.6	$ 191.3	$ 96.6
Distributed and allocated undistributed net earnings to non-vested restricted stockholders	(0.4)	(0.2)	(1.1)	(0.5)
Distributed and allocated undistributed net earnings to common stockholders	58.9	37.4	190.2	96.1
Distributed net earnings - dividends paid to common stockholders	(27.4)	(25.3)	(82.9)	(75.9)
Allocation of undistributed net earnings to common stockholders	$ 31.5	$ 12.1	$ 107.3	$ 20.2
Denominator				