

SEALED AIR CORP/DE  
Form 10-Q  
November 02, 2018

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 September 30, 2018

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 (I.R.S. Employer  
incorporation or organization) Identification Number)  
2415 Cascade Pointe Boulevard 28208  
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," "smaller reporting company," and "emerging growth 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

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the

Exchange Act. "

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

There were 156,925,124 shares of the registrant's common stock, par value \$0.10 per share, issued and outstanding as of October 31, 2018.

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### 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: global economic and political conditions, currency translation and devaluation effects, changes in raw material pricing and availability, competitive conditions, the success of new product offerings, consumer preferences, the effects of animal and food-related health issues, pandemics, changes in energy costs, environmental matters, the success of our restructuring activities, the success of our financial growth, profitability, cash generation and manufacturing strategies and our cost reduction and productivity efforts, changes in our credit ratings, the tax benefit associated with the Settlement agreement (as defined in our Annual Report on Form 10-K for the year ended December 31, 2017), regulatory actions and legal matters, and the other information referenced in Part I, Item 1A, “Risk Factors”, of our Annual Report on Form 10-K for the year ended December 31, 2017 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 5, “Segments,” of the Notes to Condensed Consolidated Financial Statements and our Management’s Discussion and Analysis of Financial Condition and Results of Operations (“MD&A”) for reconciliations of our U.S. GAAP financial measures to non-U.S. GAAP. Information reconciling forward-looking U.S. GAAP measures to non-U.S. GAAP measures is not available without unreasonable effort.

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.

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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 to be certain specified items (“Special Items”), such as restructuring charges, costs related to acquisitions and divestitures, special tax items (“Tax Special Items”) and certain other infrequent or one-time 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.

The Company measures segment performance using 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.

We also present our adjusted income tax rate or provision (“Adjusted Tax Rate”). The Adjusted 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 as well as expense or benefit from any Tax Special Items. The Adjusted Tax Rate is an indicator of the taxes on our core business. The tax situations and effective tax rates in the specific countries where the Special Items occur will determine the impact (positive or negative) to the Adjusted Tax Rate.

In our “Net Sales by Geographic Region,” “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” and we exclude acquisition and divestiture activity and the impact of foreign currency translation when presenting net sales information, which we define as “organic.” Changes in net sales excluding the impact of foreign currency translation and acquisition and divestiture activity 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 have not provided guidance for the most directly comparable U.S. GAAP financial measures, as they are not available without unreasonable effort due to the high variability, complexity, and low visibility with respect to certain Special Items, including gains and losses on the disposition of businesses, the ultimate outcome of certain legal or tax proceedings, foreign currency gains or losses and other unusual gains and losses. These items are uncertain, depend on various factors, and could be material to our results computed in accordance with U.S. GAAP.

## SEALED AIR CORPORATION AND SUBSIDIARIES

## Condensed Consolidated Balance Sheets

| (In millions, except share and per share data)   | September 30,<br>2018<br>(unaudited) | December<br>31, 2017 |
|--|--------------------------------------|----------------------|
| Assets   |                                      |                      |
| Current assets:  |                                      |                      |
| Cash and cash equivalents  | \$ 191.3                             | \$594.0              |
| Trade receivables, net of allowance for doubtful accounts of \$7.2 in 2018 and \$6.5 in 2017   | 508.8                                | 552.4                |
| Income tax receivables   | 32.7                                 | 85.1                 |
| Other receivables  | 88.7                                 | 90.2                 |
| Inventories, net of inventory reserves of \$19.9 in 2018 and \$15.5 in 2017  | 605.4                                | 506.8                |
| Current assets held for sale   | 0.6                                  | 4.0                  |
| Prepaid expenses and other current assets  | 167.9                                | 33.9                 |
| Total current assets   | 1,595.4                              | 1,866.4              |
| Property and equipment, net  | 1,022.0                              | 998.4                |
| Goodwill   | 1,951.9                              | 1,939.8              |
| Identifiable intangible assets, net  | 102.3                                | 83.6                 |
| Deferred taxes   | 113.6                                | 176.2                |
| Other non-current assets   | 211.8                                | 215.9                |
| Total assets   | \$ 4,997.0                           | \$5,280.3            |
| Liabilities and Stockholders' (Deficit) Equity   |                                      |                      |
| Current liabilities:   |                                      |                      |
| Short-term borrowings  | \$ 308.3                             | \$25.3               |
| Current portion of long-term debt  | 5.1                                  | 2.2                  |
| Accounts payable   | 775.3                                | 723.8                |
| Current liabilities held for sale  | —                                    | 2.2                  |
| Accrued restructuring costs  | 19.3                                 | 15.4                 |
| Income tax payable   | 58.6                                 | 47.3                 |
| Other current liabilities  | 400.0                                | 562.0                |
| Total current liabilities  | 1,566.6                              | 1,378.2              |
| Long-term debt, less current portion   | 3,242.5                              | 3,230.5              |
| Deferred taxes   | 18.5                                 | 28.5                 |
| Other non-current liabilities  | 615.1                                | 490.8                |
| Total liabilities  | 5,442.7                              | 5,128.0              |
| Commitments and contingencies - Note 16  |                                      |                      |
| Stockholders' (deficit) equity:  |                                      |                      |
| Preferred stock, \$0.10 par value per share, 50,000,000 shares authorized; no shares issued in 2018 and 2017   | —                                    | —                    |
| Common stock, \$0.10 par value per share, 400,000,000 shares authorized; shares issued: 231,609,331 in 2018 and 230,080,944 in 2017; shares outstanding: 156,936,418 in 2018 and 168,595,521 in 2017 | 23.2                                 | 23.0                 |
| Additional paid-in capital   | 2,043.2                              | 1,939.6              |
| Retained earnings  | 1,646.7                              | 1,735.2              |
| Common stock in treasury, 74,672,913 shares in 2018 and 61,485,423 shares in 2017  | (3,288.1                             | ) (2,700.6 )         |
| Accumulated other comprehensive loss, net of taxes   | (870.7                               | ) (844.9 )           |
| Total stockholders' (deficit) equity   | (445.7                               | ) 152.3              |

|  |            |           |
|--|------------|-----------|
| Total liabilities and stockholders' (deficit) equity | \$ 4,997.0 | \$5,280.3 |
|--|------------|-----------|

See accompanying Notes to Condensed Consolidated Financial Statements.



## SEALED AIR CORPORATION AND SUBSIDIARIES

## Condensed Consolidated Statements of Operations

| (In millions, except per share data)                  | Three Months Ended |           | Nine Months Ended |           |
|---|--------------------|-----------|-------------------|-----------|
|   | September 30,      |           | September 30,     |           |
|   | (unaudited)        |           | (unaudited)       |           |
|   | 2018               | 2017      | 2018              | 2017      |
| Net sales   | \$1,186.2          | \$1,131.3 | \$3,472.4         | \$3,233.8 |
| Cost of sales <sup>(1)(2)</sup>                       | 820.7              | 770.6     | 2,369.4           | 2,194.2   |
| Gross profit  | 365.5              | 360.7     | 1,103.0           | 1,039.6   |
| Selling, general and administrative expenses          | 192.1              | 207.9     | 578.9             | 608.2     |
| Amortization expense of intangible assets acquired    | 3.6                | 3.1       | 10.9              | 9.2       |
| Restructuring and other charges                       | 6.6                | 6.2       | 22.3              | 9.2       |
| Operating profit                                      | 163.2              | 143.5     | 490.9             | 413.0     |
| Interest expense, net                                 | (44.8              | ) (49.1   | ) (131.3          | ) (143.4  |
| Other (expense) income, net <sup>(1)(2)</sup>         | (9.4               | ) 11.8    | (20.3             | ) 4.7     |
| Earnings before income tax provision                  | 109.0              | 106.2     | 339.3             | 274.3     |
| Income tax provision                                  | 33.4               | 43.7      | 388.4             | 236.5     |
| Net earnings (loss) from continuing operations        | 75.6               | 62.5      | (49.1             | ) 37.8    |
| Gain on sale of discontinued operations, net of tax   | 3.4                | 699.3     | 41.9              | 699.3     |
| Net earnings from discontinued operations, net of tax | —                  | 25.7      | —                 | 111.3     |
| Net earnings (loss)                                   | \$79.0             | \$787.5   | \$(7.2            | ) \$848.4 |
| Basic:  |                    |           |                   |           |
| Continuing operations                                 | \$0.48             | \$0.33    | \$(0.31           | ) \$0.20  |
| Discontinued operations                               | 0.02               | 3.86      | 0.26              | 4.22      |
| Net earnings (loss) per common share - basic          | \$0.50             | \$4.19    | \$(0.05           | ) \$4.42  |
| Diluted:  |                    |           |                   |           |
| Continuing operations                                 | \$0.48             | \$0.33    | \$(0.31           | ) \$0.19  |
| Discontinued operations                               | 0.02               | 3.82      | 0.26              | 4.18      |
| Net earnings (loss) per common share - diluted        | \$0.50             | \$4.15    | \$(0.05           | ) \$4.37  |
| Dividends per common share                            | \$0.16             | \$0.16    | \$0.48            | \$0.48    |
| Weighted average number of common shares outstanding: |                    |           |                   |           |
| Basic   | 157.2              | 186.9     | 160.8             | 190.9     |
| Diluted   | 158.0              | 188.9     | 160.8             | 192.9     |

See accompanying Notes to Condensed Consolidated Financial Statements.

- Due to the adoption of ASU 2017-07, certain amounts related to defined benefit and other post-employment benefit
- (1) plans were reclassified from cost of sales to other (expense) income, net. Refer to Note 2, "Recently Adopted and Issued Accounting Standards," in the Notes to Condensed Consolidated Financial Statements for more information. As part of our review of costs included in the corporate segment, amounts related to division operations were
- (2) identified and reclassified out of other (expense) income, net to cost of sales. The impact for the three and nine months ended September 30, 2017 was \$2.1 million and \$5.3 million, respectively.

## SEALED AIR CORPORATION AND SUBSIDIARIES

## Condensed Consolidated Statements of Comprehensive Income (Loss)

| (In millions)  | Three Months Ended September 30, (unaudited) |         |         |         |          |         | Nine Months Ended September 30, (unaudited) |         |          |          |          |         |
|--|--|---------|---------|---------|----------|---------|---|---------|----------|----------|----------|---------|
|  | 2018   |         |         | 2017    |          |         | 2018  |         |          | 2017     |          |         |
|  | Gross  | Taxes   | Net     | Gross   | Taxes    | Net     | Gross                                       | Taxes   | Net      | Gross    | Taxes    | Net     |
| Net earnings (loss)  |  |         | \$79.0  |         |          | \$787.5 |   |         | \$(7.2 ) |          |          | \$848.4 |
| Other comprehensive income (loss):   |  |         |         |         |          |         |   |         |          |          |          |         |
| Recognition of pension items   | \$2.4  | \$(0.2) | 2.2     | \$219.9 | \$(45.3) | 174.6   | \$3.8                                       | \$(0.5) | 3.3      | \$228.2  | \$(48.3) | 179.9   |
| Unrealized (losses) gains on derivative instruments for net investment hedge | (2.8 )                                       | 0.7     | (2.1 )  | (31.7 ) | 12.1     | (19.6 ) | 12.1  | (3.0 )  | 9.1      | (103.6 ) | 39.6     | (64.0 ) |
| Unrealized (losses) gains on derivative instruments for cash flow hedge      | (0.2 )                                       | 0.1     | (0.1 )  | (2.5 )  | 0.5      | (2.0 )  | 3.4   | (1.0 )  | 2.4      | (10.1 )  | 1.9      | (8.2 )  |
| Foreign currency translation adjustments                                     | (11.7 )                                      | (0.2 )  | (11.9 ) | (69.4 ) | 1.1      | (68.3 ) | (39.8 )                                     | (0.8 )  | (40.6 )  | —        | 5.5      | 5.5     |
| Other comprehensive (loss) income  | \$(12.3)                                     | \$0.4   | (11.9 ) | \$116.3 | \$(31.6) | 84.7    | \$(20.5)                                    | \$(5.3) | (25.8 )  | \$114.5  | \$(1.3 ) | 113.2   |
| Comprehensive income (loss), net of taxes                                    |  |         | \$67.1  |         |          | \$872.2 |   |         | \$(33.0) |          |          | \$961.6 |

See accompanying Notes to Condensed Consolidated Financial Statements.

## SEALED AIR CORPORATION AND SUBSIDIARIES

## Condensed Consolidated Statements of Stockholders' (Deficit) Equity

| (In millions)  | Common<br>Stock | Additional<br>Paid-in<br>Capital | Retained<br>Earnings | Common<br>Stock<br>in<br>Treasury | Accumulated<br>Other<br>Comprehensive<br>Loss, Net of Taxes | Total<br>Stockholders'<br>(Deficit)<br>Equity |
|--|-----------------|----------------------------------|----------------------|-----------------------------------|---|---|
| Balance at June 30, 2018 (unaudited)                           | \$ 23.2         | \$ 2,035.0                       | \$ 1,593.2           | \$ (3,165.0)                      | \$ (858.8 )   | \$ (372.4 )                                   |
| Effect of share-based incentive compensation                   | —               | 8.2                              | —                    | (1.6 )                            | —   | 6.6   |
| Repurchases of common stock                                    | —               | —                                | —                    | (121.5 )                          | —   | (121.5 )                                      |
| Recognition of pension items, net of taxes                     | —               | —                                | —                    | —                                 | 2.2   | 2.2   |
| Foreign currency translation adjustments                       | —               | —                                | —                    | —                                 | (11.9 )   | (11.9 )                                       |
| Unrealized loss on derivative instruments, net of taxes        | —               | —                                | —                    | —                                 | (2.2 )  | (2.2 )  |
| Net earnings   | —               | —                                | 79.0                 | —                                 | —   | 79.0  |
| Dividends on common stock (\$0.16 per share)                   | —               | —                                | (25.5 )              | —                                 | —   | (25.5 )                                       |
| Balance at September 30, 2018 (unaudited)                      | \$ 23.2         | \$ 2,043.2                       | \$ 1,646.7           | \$ (3,288.1)                      | \$ (870.7 )   | \$ (445.7 )                                   |
| Balance at December 31, 2017                                   | \$ 23.0         | \$ 1,939.6                       | \$ 1,735.2           | \$ (2,700.6)                      | \$ (844.9 )   | \$ 152.3                                      |
| Effect of share-based incentive compensation                   | 0.2             | 22.9                             | —                    | (8.0 )                            | —   | 15.1  |
| Stock issued for profit sharing contribution paid in stock     | —               | 0.7                              | —                    | 23.8                              | —   | 24.5  |
| Repurchases of common stock                                    | —               | 80.0                             | —                    | (603.3 )                          | —   | (523.3 )                                      |
| Recognition of pension items, net of taxes                     | —               | —                                | —                    | —                                 | 3.3   | 3.3   |
| Foreign currency translation adjustments                       | —               | —                                | —                    | —                                 | (40.6 )   | (40.6 )                                       |
| Unrealized gain on derivative instruments, net of taxes        | —               | —                                | —                    | —                                 | 11.5  | 11.5  |
| Net loss   | —               | —                                | (7.2 )               | —                                 | —   | (7.2 )  |
| Dividends on common stock (\$0.48 per share)                   | —               | —                                | (77.9 )              | —                                 | —   | (77.9 )                                       |
| Impact of recently adopted accounting standards <sup>(1)</sup> | —               | —                                | (3.4 )               | —                                 | —   | (3.4 )  |
| Balance at September 30, 2018 (unaudited)                      | \$ 23.2         | \$ 2,043.2                       | \$ 1,646.7           | \$ (3,288.1)                      | \$ (870.7 )   | \$ (445.7 )                                   |
| Balance at June 30, 2017 (unaudited)                           | \$ 23.0         | \$ 1,943.7                       | \$ 1,039.2           | \$ (1,729.4)                      | \$ (920.6 )   | \$ 355.9                                      |
| Effect of share-based incentive compensation                   | —               | 15.6                             | —                    | (0.4 )                            | —   | 15.2  |
| Repurchase of common stock                                     | —               | (26.0 )                          | —                    | (426.0 )                          | —   | (452.0 )                                      |
| Recognition of pension items, net of taxes                     | —               | —                                | —                    | —                                 | 174.6   | 174.6   |
| Foreign currency translation adjustments                       | —               | —                                | —                    | —                                 | (68.3 )   | (68.3 )                                       |
| Unrealized loss on derivative instruments, net of taxes        | —               | —                                | —                    | —                                 | (21.6 )   | (21.6 )                                       |
| Net earnings   | —               | —                                | 787.5                | —                                 | —   | 787.5   |
| Dividends on common stock (\$0.16 per share)                   | —               | —                                | (30.7 )              | —                                 | —   | (30.7 )                                       |
| Balance at September 30, 2017 (unaudited)                      | \$ 23.0         | \$ 1,933.3                       | \$ 1,796.0           | \$ (2,155.8)                      | \$ (835.9 )   | \$ 760.6                                      |



## SEALED AIR CORPORATION AND SUBSIDIARIES

|  |        |           |           |             |           |         |
|--|--------|-----------|-----------|-------------|-----------|---------|
| Balance at December 31, 2016                               | \$22.8 | \$1,974.1 | \$1,040.0 | \$(1,478.1) | \$(949.1) | \$609.7 |
| Effect of share-based incentive compensation               | 0.2    | 38.7      | —         | (22.2)      | —         | 16.7    |
| Stock issued for profit sharing contribution paid in stock | —      | 0.5       | —         | 21.8        | —         | 22.3    |
| Repurchases of common stock                                | —      | (80.0)    | —         | (677.3)     | —         | (757.3) |
| Recognition of pension items, net of taxes                 | —      | —         | —         | —           | 179.9     | 179.9   |
| Foreign currency translation adjustments                   | —      | —         | —         | —           | 5.5       | 5.5     |
| Unrealized loss on derivative instruments, net of taxes    | —      | —         | —         | —           | (72.2)    | (72.2)  |
| Net earnings   | —      | —         | 848.4     | —           | —         | 848.4   |
| Dividends on common stock (\$0.48 per share)               | —      | —         | (92.4)    | —           | —         | (92.4)  |
| Balance at September 30, 2017 (unaudited)                  | \$23.0 | \$1,933.3 | \$1,796.0 | \$(2,155.8) | \$(835.9) | \$760.6 |

See accompanying Notes to Condensed Consolidated Financial Statements.

(1) Due to the adoption of ASU 2016-16, Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory and ASU 2014-09, Revenue from Contracts with Customers (Topic 606) the Company recorded decreases to retained earnings of \$1.0 million and \$2.4 million, respectively. See Note 2, "Recently Adopted and Issued Accounting Standards," in the Notes to Condensed Consolidated Financial Statements for more information.

## SEALED AIR CORPORATION AND SUBSIDIARIES

## Condensed Consolidated Statements of Cash Flows

|   | Nine Months Ended<br>September 30,<br>(unaudited) |             |
|---|---|-------------|
| (In millions)   | 2018  | 2017        |
| Net (loss) earnings   | \$(7.2 )  | \$848.4     |
| Adjustments to reconcile net (loss) earnings to net cash provided by operating activities |   |             |
| Depreciation and amortization   | 98.4  | 114.4       |
| Share-based incentive compensation  | 22.9  | 38.7        |
| Profit sharing expense  | 16.1  | 18.6        |
| Provisions for bad debt   | 1.9   | 2.6         |
| Provisions for inventory obsolescence   | —   | 5.9         |
| Deferred taxes, net   | 50.8  | 160.7       |
| Net gain on sale of business  | (41.3 )   | (701.4 )    |
| Other non-cash items  | 24.9  | 27.8        |
| Changes in operating assets and liabilities:  |   |             |
| Trade receivables, net  | (31.0 )   | (87.5 )     |
| Inventories   | (113.2 )  | (100.5 )    |
| Accounts payable  | 45.0  | 135.2       |
| Other assets and liabilities  | 82.7  | (130.4 )    |
| Net cash provided by operating activities   | \$150.0   | \$332.5     |
| Cash flows from investing activities:   |   |             |
| Capital expenditures  | (114.8 )  | (126.5 )    |
| Proceeds, net from sale of business and property and equipment                            | 6.6   | 4.4         |
| Business acquired, net of cash acquired   | (67.8 )   | (25.4 )     |
| Impact of sale of Diversey <sup>(3)</sup>   | (19.6 )   | 2,025.5     |
| Investment in cost method investments   | (7.5 )  | —           |
| Settlement of foreign currency forward contracts  | (5.5 )  | (1.1 )      |
| Other investing activities  | (2.6 )  | —           |
| Net cash (used in) provided by investing activities <sup>(3)</sup>                        | \$(211.2)   | \$1,876.9   |
| Cash flows from financing activities:   |   |             |
| Net proceeds from borrowings  | 293.3   | (21.5 )     |
| Payments of borrowings <sup>(1)</sup>   | —   | (369.5 )    |
| Payments of debt modification/extinguishment costs  | (6.1 )  | —           |
| Proceeds from cross currency swap   | —   | 17.4        |
| Dividends paid on common stock  | (79.3 )   | (92.4 )     |
| Acquisition of common stock for tax withholding   | (7.8 )  | (21.9 )     |
| Repurchases of common stock <sup>(2)</sup>  | (534.3 )  | (757.3 )    |
| Net cash used in financing activities <sup>(3)</sup>                                      | \$(334.2)   | \$(1,245.2) |
| Effect of foreign currency exchange rate changes on cash and cash equivalents             | \$(7.3 )  | \$(18.9 )   |
| Cash Reconciliation <sup>(3)</sup> :  |   |             |
| Cash and cash equivalents   | 594.0   | 333.7       |
| Restricted cash and cash equivalents <sup>(4)</sup>                                       | —   | 52.9        |
| Balance, beginning of period  | \$594.0   | \$386.6     |
| Net change during the period  | (402.7 )  | 945.3       |
| Cash and cash equivalents   | 191.3   | 1,304.7     |
| Restricted cash and cash equivalents <sup>(4)</sup>                                       | —   | 27.2        |

|   |         |           |
|---|---------|-----------|
| Balance, end of period                        | \$191.3 | \$1,331.9 |
| Supplemental Cash Flow Information:           |         |           |
| Interest payments, net of amounts capitalized | \$137.4 | \$156.5   |
| Income tax payments, net of cash refunds      | \$137.5 | \$126.6   |

## SEALED AIR CORPORATION AND SUBSIDIARIES

|  |        |        |
|--|--------|--------|
| Payments related to the sale of Diversey and efforts to address related stranded costs | \$44.9 | \$61.2 |
| Restructuring payments including associated costs                                      | \$7.4  | \$48.7 |

## Non-cash items:

|  |        |        |
|--|--------|--------|
| Transfers of shares of common stock from treasury for 2017 and 2016 profit-sharing contributions | \$23.8 | \$22.3 |
|--|--------|--------|

See accompanying Notes to Condensed Consolidated Financial Statements.

Payments of borrowings included in financing activities excludes amounts which were paid using cash proceeds (1) from the sale of Diversey. As a result, \$755.2 million of payments of borrowings is included within investing activities for a total payment of borrowings of \$1.1 billion through the nine months ended September 30, 2017.

The Company entered into an accelerated share repurchase agreement with a third-party financial institution to (2) repurchase \$400.0 million of the Company's common stock. The full amount was paid as of September 30, 2017 however, only \$320.0 million was used to repurchase shares at that point in time.

Due to the adoption of ASU 2016-18, the Company now is required to include restricted cash as part of the change in the total cash balance. As a result, amounts which were previously classified as cash flows from financing (3) activities related to Sealed Air continuing operations and amounts which were previously classified as cash flows from investing activities related to restricted cash sold with the sale of Diversey have been reclassified as they are recognized in the total change in cash. Refer to Note 2, "Recently Adopted and Issued Accounting Standards," in the Notes to Condensed Consolidated Financial Statements for more information.

(4) Restricted cash and cash equivalents included compensating balance deposits related to certain short-term borrowings.



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 and product protection. We serve an array of end markets including food and beverage processing, food service, retail 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 two wholly-owned subsidiaries, Cryovac, Inc. and Sealed Air Corporation (US). 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 Sheets as of September 30, 2018 and our Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2018 and 2017 have been made. The results set forth in our Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2018 and in our Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2018 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 U.S. Securities and Exchange Commission (“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, 2017 as filed with the SEC on February 21, 2018 (“2017 Form 10-K”) and with the information contained in other publicly-available filings with the SEC.

To accelerate productivity improvements and the elimination of operational redundancies, the Company implemented a change in allocation of Corporate expenses. These expenses are now allocated to Food Care and Product Care segments. For comparison purposes, the Company presented 2017 results to reflect the revised allocation of these costs. This segment reporting change has no impact on total Company operating results. See Note 5, “Segments,” of the Notes to Condensed Consolidated Financial Statements for further information.

Impact of Inflation and Currency Fluctuation

Argentina

Economic and political events in Argentina have continued to expose us to heightened levels of foreign currency exchange risk. As of July 1, 2018, Argentina was designated as a highly inflationary economy under U.S. GAAP, and the U.S. dollar replaced the Argentine peso as the functional currency for our subsidiaries in Argentina. All Argentine peso-denominated monetary assets and liabilities were remeasured into U.S. dollars using the current exchange rate

available to us, and any changes in the exchange rate are reflected in net foreign exchange transaction loss, within other (expense) income, net related to our Argentinian subsidiaries on the Condensed Consolidated Statements of Operations. For the three and nine months ended September 30, 2018, the Company recorded a \$0.4 million remeasurement gain.

## Note 2 Recently Adopted and Issued Accounting Standards

## Recently Adopted Accounting Standards

In August 2017, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Updates (“ASU”) 2017-12, Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities (“ASU 2017-12”). This update is intended to align the financial statements with an entity's risk management activities. ASU 2017-12 allows for changes in the designation and measurement of hedges as well as expands the disclosures of hedge results. The amendments in ASU 2017-12 are effective for annual periods beginning after December 15, 2018, including interim periods within those annual periods. The Company elected to early adopt ASU 2017-12 as of January 1, 2018. The adoption did not have an impact on the Company's Condensed Consolidated Financial Results.

In May 2017, the FASB issued ASU 2017-09, Compensation - Stock Compensation (Topic 718): Scope of Modification Accounting (“ASU 2017-09”). ASU 2017-09 amends the considerations for determining what events require modification accounting. This new guidance requires an entity to consider the fair value of an award before and after modification, the vesting conditions of the modified award and the classification of the modified award as an equity instrument. The amendments in ASU 2017-09 are effective for annual periods beginning after December 15, 2017, including interim periods within those annual periods. The Company adopted ASU 2017-09 on January 1, 2018. The adoption did not have an impact on the Company's Condensed Consolidated Financial Results. This ASU will be applied prospectively when changes to the terms or conditions of a share-based payment award occur.

In March 2017, the FASB issued ASU 2017-07, Compensation - Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Benefit Postretirement Benefit Cost (“ASU 2017-07”). ASU 2017-07 changes how employers that sponsor defined benefit pension or other postretirement benefit plans present the net periodic benefit cost in the income statement. This new guidance requires entities to report the service cost component in the same line item or items as other compensation costs. The other components of net benefit cost are required to be presented in the income statement separately from the service cost component outside of income from operations. The amendments in ASU 2017-07 are effective for annual periods beginning after December 15, 2017, including interim periods within those annual periods. The Company adopted ASU 2017-07 on January 1, 2018. The effect of retrospectively adopting this guidance resulted in a reclassification of \$14.5 million and \$15.9 million from cost of sales and selling, general and administrative expenses to other (expense) income, net on the Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2017 and \$16.7 million for the year ended December 31, 2017.

In January 2017, the FASB issued ASU 2017-04, Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment (“ASU 2017-04”). ASU 2017-04 eliminates Step 2 as part of the goodwill impairment test. The amount of the impairment charge to be recognized would now be the amount by which the carrying value exceeds the reporting unit's fair value. The loss to be recognized cannot exceed the amount of goodwill allocated to that reporting unit. The amendments in ASU 2017-04 are effective for annual or interim goodwill impairment tests in fiscal years beginning after December 15, 2019. The Company has elected to early adopt ASU 2017-04 as of January 1, 2018. The Company will apply the guidance related to ASU 2017-04 during our annual impairment test in the fourth quarter of 2018.

In January 2017, the FASB issued ASU 2017-01, Business Combinations (Topic 805): Clarifying the Definition of a Business (“ASU 2017-01”). ASU 2017-01 provides a screen to determine when a set of assets is a business. This screen states that when substantially all of the fair value of a group of assets acquired (or disposed of) is concentrated in a single identifiable asset or group of similar identifiable assets, the set is not a business. The amendments in ASU 2017-01 are effective for annual periods beginning after December 15, 2017, including interim periods within those periods. The Company adopted ASU 2017-01 on January 1, 2018. The adoption did not have an impact on the Company's Condensed Consolidated Financial Results however, it could have a material impact on the Company's Condensed Consolidated Financial Results if the Company enters into future business combinations.

In November 2016, the FASB issued ASU 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash (“ASU 2016-18”). ASU 2016-18 requires that entities include restricted cash and restricted cash equivalents with cash and cash equivalents in the beginning-of-period and end-of-period total amounts shown on the Statements of Cash Flows. The amendments in ASU 2016-18 are effective for fiscal years beginning after December 15, 2017, including interim reporting periods within those fiscal years. The Company adopted ASU 2016-18 on January 1, 2018. As a result of this retrospective adoption, the reclassification of restricted cash into a change in total cash resulted in an increase in financing activities of \$1.8 million and a decrease in investing activities of \$27.5 million for the nine months ended September 30, 2017 and a decrease in financing activities of \$25.4 million and investing activities of \$27.5 million for the year ended December 31, 2017.

In October 2016, the FASB issued ASU 2016-16, Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory (“ASU 2016-16”). ASU 2016-16 requires entities to recognize income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. The amendments in ASU 2016-16 are effective for annual reporting periods beginning after December 15, 2017, including interim reporting periods within those annual reporting periods. The Company adopted ASU 2016-16 on January 1, 2018. This was adopted using the modified retrospective approach which resulted in a decrease in other assets of \$7.5 million, an increase in non-current deferred tax assets of \$4.8 million, a decrease in other non-current liabilities of \$1.7 million and a decrease in retained earnings was \$1.0 million on the Condensed Consolidated Balance Sheets.

In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows (Topic 230) - Classification of Certain Cash Receipts and Cash Payments (“ASU 2016-15”). ASU 2016-15 provides guidance on eight specific cash flow issues in regard to how cash receipts and cash payments are presented and classified in the statements of cash flows. The amendments in ASU 2016-15 are effective for fiscal years beginning after December 15, 2017, including interim periods within those years, with early adoption permitted. The Company adopted ASU 2016-15 on January 1, 2018. As a result of the adoption, there were no impacts on prior year statements of cash flow however this adoption may impact future periods.

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. Additionally, in February 2018, the FASB issued ASU 2018-03, Technical Corrections and Improvements to Financial Instruments - Overall (Subtopic 825-10), Recognition and Measurement of Financial Assets and Financial Liabilities (“ASU 2018-03”) and in March 2018, the FASB issued ASU 2018-04, Investments - Debt Securities (Subtopic 320) and Regulated Operations (Topic 980), Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 117 and SEC Release No. 33-9273 (SEC Update) (“ASU 2018-04”) which were issued to clarify some of the language in ASU 2016-01. The amendments in ASU 2016-01, 2018-03 and 2018-04 are effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. 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. The Company adopted ASU 2016-01, 2018-03 and 2018-04 on January 1, 2018. The adoption of these standards did not have an impact on the Company's Condensed Consolidated Financial Results.

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, collectively, Topic 606. 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. 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, 2017.

The Company adopted the new revenue recognition standard using the modified retrospective approach with a cumulative effect adjustment to beginning retained earnings at January 1, 2018. Prior periods presented were not retrospectively adjusted for this change. The Company has applied the new revenue recognition standard only to contracts that were not completed as of January 1, 2018.

The Company elected to reflect the aggregate effect of all contract modifications that occurred before the beginning of the earliest period presented under the new revenue recognition standard when identifying the satisfied and unsatisfied performance obligations, determining the transaction price, and allocating the transaction price to the satisfied and unsatisfied performance obligations for the modified contract at transition. The effects of application of this relief are de minimis.

Changes in accounting policy resulting from adoption of Topic 606

The adoption of Topic 606 did not have a significant impact on our consolidated financial statements with the exception of new and expanded disclosures.

The following tables summarizes the effect of adoption of the new revenue recognition standard by line item on the Company's Condensed Consolidated Financial Statements, and the reason for the change:

|                               |             | Three Months Ended<br>September 30, 2018 |                  |  |
|-------------------------------|-------------|--|------------------|--|
|                               |             | Balances                                 |                  |  |
| (In millions)                 | As Reported | without Adoption of Topic 606            | Effect of Change |  |
| Net sales                     | \$1,186.2   | \$1,185.9                                | \$ 0.3           |  |
|                               |             | Nine Months Ended<br>September 30, 2018  |                  |  |
|                               |             | Balances                                 |                  |  |
| (In millions)                 | As Reported | without Adoption of Topic 606            | Effect of Change |  |
| Net sales                     | \$3,472.4   | \$3,471.0                                | \$ 1.4           |  |
| Other current liabilities     | 400.0       | 399.2                                    | 0.8              |  |
| Other non-current liabilities | 615.1       | 611.4                                    | 3.7              |  |

| Impact by Line Item       | Reason for Change   | Opening Balance Sheet Adjustment as of January 1, 2018 (In millions) |
|---------------------------|---|--|
| Other current liabilities | Certain contracts include an equipment accrual, whereby a customer is awarded a credit based on consumable purchases that can be redeemed for future equipment purchases. Long term contracts that include an equipment accrual create a timing difference between when cash is collected and the performance obligation is satisfied. Upon the adoption of Topic 606 the equipment accrual balance was increased to reflect the standalone selling price within our equipment portfolio. | \$ 2.4   |
| Retained earnings         | The modified retrospective adoption of the new revenue standard resulted in a cumulative adjustment decreasing retained earnings, which was associated with adjusting our equipment accrual contract offering to the standalone selling price value.  | (2.4 )   |

Lease income was an additional line item impacted by the new revenue standard; however, there is no timing change associated with the change in presentation. Under the new revenue standard, certain contracts that include free-on-loan equipment, with minimum purchase obligations and associated substantive penalties for noncompliance, were deemed to include a lease component that was not previously identified as an element to the contract under ASC 605. As such, a portion of the transaction price is reclassified from revenue to lease income.

Recently Issued Accounting Standards

In August 2018, the FASB issued ASU 2018-15, Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40), Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract ("ASU 2018-15"). ASU 2018-15 amends ASC 350-40 and aligns the accounting for costs incurred to implement a cloud computing arrangement that is a service contract with the guidance on capitalizing costs associated with developing or obtaining internal-use software. The guidance is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption is permitted, including adoption in any interim period. We are currently in the process of evaluating the effect that ASU 2018-15 will have on the Company's Condensed Consolidated Financial Results.

In August 2018, the FASB issued ASU 2018-14, Compensation - Retirement Benefits - Defined Benefit Plans - General (Subtopic 715-20), Disclosure Framework - Changes to the Disclosure Requirements for Defined Benefit Plans ("ASU 2018-14"). ASU 2018-14 eliminates, adds and clarifies certain disclosure requirements related to defined benefit plans and other postretirement plans. The guidance is effective for fiscal years ending after December 15, 2020, with early adoption permitted for reporting periods for which financial statements have yet to be issued or made available for issuance. We are currently in the process of evaluating the effect that ASU 2018-14 will have on the Company's Condensed Consolidated Financial Results.

In August 2018, the FASB issued ASU 2018-13, Fair Value Measurement (Topic 820), Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement ("ASU 2018-13"). ASU 2018-13 amends the fair value measurement disclosure requirements of ASC 820, including new, eliminated and modified disclosure requirements. The guidance is effective for fiscal years beginning after December 15, 2019, including interim periods therein. Early adoption is permitted upon the issuance of this ASU, including interim periods for which financial statements have not yet been issued or made available for issuance. If adopted early, entities are permitted to early adopt the eliminated or modified disclosure requirements and delay the adoption of the new disclosure requirements until their effective date. We are currently in the process of evaluating the effect that ASU 2018-13 will have on the Company's Condensed Consolidated Financial Results.

In February 2018, the FASB issued ASU 2018-02, Income Statement - Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income ("ASU 2018-02"). As a result of the Tax Cut and Jobs Act ("TCJA"), this ASU was issued to provide entities with the option to reclassify stranded tax effects in accumulated other comprehensive income to retained earnings. ASU 2018-02 can be applied either in the period of adoption or retrospectively to each period in which the effect of the change in the U.S. federal income tax rate pursuant to the TCJA is recognized. The guidance is effective for interim and annual periods beginning after December 15, 2018, with early adoption permitted for reporting periods for which financial statements have yet to be issued or made available for issuance. We are currently in the process of evaluating the effect that ASU 2018-02 will have on the Company's Condensed Consolidated Financial Results.

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 however we do not anticipate this to have a material impact on the Company's Condensed Consolidated Financial Results.

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. Similar modifications have been made to lessor accounting in-line with revenue recognition guidance. The amendments also require certain quantitative and qualitative disclosures about leasing arrangements. The amendments in ASU 2016-02, and subsequent related amendments, are effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early adoption is permitted. The guidance permits two methods of adoption: modified retrospective where an entity initially applies the new leases standard at the beginning of the earliest period presented in the financial statements or an alternative transition method where an entity can initially apply the new leases standard at the adoption date and recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. We are currently in the process of evaluating this new standard update. We expect there to be a material impact on the Company's Condensed Consolidated Balance Sheets.

### Note 3 Revenue Recognition, Contracts with Customers

Revenue from contracts with customers is recognized using a five-step model consisting of the following: (1) identify the contract with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract; and (5) recognize revenue when (or as) the Company satisfies a performance obligation. Performance obligations are satisfied when the Company transfers control of a good or service to a customer, which can occur over time or at a point in time. The amount of



revenue recognized is based on the consideration to which the Company expects to be entitled in exchange for those goods or services, including the expected value of variable consideration. The customer's ability and intent to pay the transaction price is assessed in determining whether a contract exists with the customer. If collectability of substantially all of the consideration in a contract is not probable, consideration received is not recognized as revenue unless the consideration is nonrefundable and the Company no longer has an obligation to transfer additional goods or services to the customer or collectability becomes probable.

## Description of Revenue Generating Activities

We employ sales, marketing and customer service personnel throughout the world who sell and market our products and services to and/or through a large number of distributors, fabricators, converters, e-commerce and mail order fulfillment firms, and contract packaging firms as well as directly to end-users such as food processors, foodservice businesses, supermarket retailers, pharmaceutical companies, healthcare facilities, medical device manufacturers, and other manufacturers.

As discussed in Note 5, "Segments," of the Notes to Condensed Consolidated Financial Statements, our reporting segments include: Food Care and Product Care. Our Food Care applications are largely sold directly to end customers, while most of our Product Care products are sold through business supply distributors.

### Food Care:

The Food Care division focuses on providing processors, retailers and food service operators a broad range of integrated system solutions that improve the management of contamination risk during the food and beverage production process, extend product shelf life through packaging technologies, and improve merchandising, ease-of-use, and back-of-house preparation processes. Our systems are designed to be turn-key and reduce customers' total operating costs through improved operational efficiencies and reduced food waste, as well as lower water and energy use. As a result, processors are able to produce and deliver their products more cost-effectively, safely, efficiently, and with greater confidence through their supply chain with a trusted partner.

The business largely serves perishable food and beverage processors, predominantly in fresh red meat, smoked and processed meats, beverages, poultry and dairy (solids and liquids) markets worldwide, and maintains a leading position in the applications it targets.

### Product Care:

Product Care provides the industries we serve with a wide range of sustainable packaging solutions designed to reduce shipping and fulfillment costs, increase operational efficiency, reduce damage, and enhance customer and brand experience. While serving a broad range of industries and market sectors, Product Care solutions are especially valuable to the E-Commerce Fulfillment, General Manufacturing, Electronics and Transportation sectors. The breadth of the Product Care portfolio, extensive packaging engineering and technical services, and global reach supports the needs of multinational customers who require excellent, consistent performance and supply reliability.

Today, Product Care solutions are largely sold through business supply distribution that sells to business/industrial end-users. Additionally, solutions are sold directly to fabricators, original equipment manufacturers/contract manufacturers, third party logistics partners, e-commerce/fulfillment operations, and at retail centers, where Product Care offers select products for consumer use on a global basis.

### Identify Contract with Customer:

For Sealed Air, the determination of whether an arrangement meets the definition of a contract under Topic 606 depends on whether it creates enforceable rights and obligations. While enforceability is a matter of law, we believe that enforceable rights and obligations in a contract must be substantive in order for the contract to be in scope of Topic 606. That is, the penalty for noncompliance must be significant relative to the minimum obligation. Fixed or minimum purchase obligations with penalties for noncompliance are the most common examples of substantive enforceable rights present in our contracts. We determined that the contract term is the period of enforceability outlined by the terms of the contract. This means that in many cases, the term stated in the contract is different than

the period of enforceability. After the minimum purchase obligation is met, subsequent sales are treated as separate contracts on a purchase order by purchase order basis. If no minimum purchase obligation exists, each purchase order represents the contract.

Performance Obligations:

The most common goods and services determined to be distinct performance obligations are consumables/materials, equipment sales, and maintenance. Free on loan and leased equipment is typically identified as a separate lease component in scope of Topic 840. The other goods or services promised in the contract with the customer in most cases do not represent performance obligations because they are neither separate nor distinct, or they are not material in the context of the contract.

Transaction Price and Variable Consideration:

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Sealed Air has many forms of variable consideration present in its contracts with customers, including rebates and other discounts. Sealed Air estimates variable consideration using either the expected value method or the most likely amount method as described in the standard. We include in the transaction price some or all of an amount of variable consideration estimated to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

For all contracts that contain a form of variable consideration, Sealed Air estimates at contract inception, and periodically throughout the term of the contract, what volume of goods and/or services the customer will purchase in a given period and determines how much consideration is payable to the customer or how much consideration Sealed Air would be able to recover from the customer based on the structure of the type of variable consideration. In most cases the variable consideration in contracts with customers results in amounts payable to the customer by Sealed Air. Sealed Air adjusts the contract transaction price based on any changes in estimates each reporting period and performs an inception to date cumulative adjustment to the amount of revenue previously recognized. When the contract with a customer contains a minimum purchase obligation, Sealed Air only has enforceable rights to the amount of consideration promised in the minimum purchase obligation through the enforceable term of the contract. This amount of consideration, plus any variable consideration, makes up the transaction price for the contract.

Charges for rebates and other allowances are recognized as a deduction from revenue on an accrual basis in the period in which the associated revenue is recorded. When we estimate our rebate accruals, we consider customer-specific contractual commitments including stated rebate rates and history of actual rebates paid. Our rebate accruals are reviewed at each reporting period and adjusted to reflect data available at that time. We adjust the accruals to reflect any differences between estimated and actual amounts. These adjustments of transaction price impact the amount of net sales recognized by us in the period of adjustment. Revenue recognized in the three and nine months ended September 30, 2018 from performance obligations satisfied in previous reporting periods is immaterial and \$3.2 million, respectively.

The Company does not adjust consideration in contracts with customers for the effects of a significant financing component if the Company expects that the period between transfer of a good or service and payment for that good or service will be one year or less. This is expected to be the case for the majority of contracts.

Sales taxes collected from customers and remitted to governmental authorities are accounted for on a net basis and therefore are excluded from net sales on the Condensed Consolidated Statements of Operations.

#### Allocation of Transaction Price:

Sealed Air determines the standalone selling price for a performance obligation by first looking for observable selling prices of that performance obligation sold on a standalone basis. If an observable price is not available, we estimate the standalone selling price of the performance obligation using one of the three suggested methods in the following order of preference: adjusted market assessment approach, expected cost plus a margin approach, and residual approach.

Sealed Air often offers rebates to customers in their contracts that are related to the amount of consumables purchased. We believe that this form of variable consideration should only be allocated to consumables because the entire amount of variable consideration relates to the customer's purchase of and Sealed Air's efforts to provide consumables. Additionally, Sealed Air has many contracts that have pricing tied to third party indices. We believe that variability from index-based pricing should be allocated specifically to consumables because the pricing formulas in these contracts are related to the cost to produce consumables.

Transfer of Control:

Revenue is recognized upon transfer of control to the customer. Revenue for consumables and equipment sales is recognized based on shipping terms, which is the point in time the customer obtains control of the promised goods. Maintenance revenue is recognized straight-line on the basis that the level of effort is consistent over the term of the contract. Lease components within contracts with customers are recognized in accordance with Topic 840.

Disaggregated Revenue

For the three and nine months ended September 30, 2018, revenues from contracts with customers summarized by Segment Geography were as follows:

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| (In millions)                   | Three Months Ended<br>September 30, 2018 |                 |           |
|---------------------------------|--|-----------------|-----------|
|                                 | Food<br>Care                             | Product<br>Care | Total     |
| North America                   | \$375.8                                  | \$277.6         | \$653.4   |
| EMEA <sup>(1)</sup>             | 156.7                                    | 89.3            | 246.0     |
| Latin America                   | 89.7                                     | 12.0            | 101.7     |
| APAC <sup>(2)</sup>             | 100.3                                    | 77.7            | 178.0     |
| Topic 606 Segment Revenue       | 722.5                                    | 456.6           | 1,179.1   |
| Non-Topic 606 Revenue (Leasing) | 4.7                                      | 2.4             | 7.1       |
| Total                           | \$727.2                                  | \$459.0         | \$1,186.2 |

| (In millions)                   | Nine Months Ended<br>September 30, 2018 |                 |           |
|---------------------------------|---|-----------------|-----------|
|                                 | Food<br>Care                            | Product<br>Care | Total     |
| North America                   | \$1,068.7                               | \$784.5         | \$1,853.2 |
| EMEA <sup>(1)</sup>             | 476.1                                   | 287.5           | 763.6     |
| Latin America                   | 270.9                                   | 36.2            | 307.1     |
| APAC <sup>(2)</sup>             | 306.2                                   | 220.9           | 527.1     |
| Topic 606 Segment Revenue       | 2,121.9                                 | 1,329.1         | 3,451.0   |
| Non-Topic 606 Revenue (Leasing) | 14.6                                    | 6.8             | 21.4      |
| Total                           | \$2,136.5                               | \$1,335.9       | \$3,472.4 |

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

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

#### Contract Balances

The time between when a performance obligation is satisfied and when billing and payment occur is closely aligned, with the exception of equipment accruals. An equipment accrual is a contract offering, whereby a customer is incentivized to use a portion of the consumables transaction price for future equipment purchases. Long term contracts that include an equipment accrual create a timing difference between when cash is collected and the performance obligation is satisfied, resulting in a contract liability (unearned revenue). The opening and closing balances of contract assets and contract liabilities arising from contracts with customers as of September 30, 2018 were as follows:

| (In millions)        | January                       |                |                       |
|----------------------|-------------------------------|----------------|-----------------------|
|                      | December 1, 2018,<br>31, 2017 | as<br>adjusted | September<br>30, 2018 |
| Contract assets      | \$ —                          | \$ —           | —                     |
| Contract liabilities | 3.1                           | 5.5            | 9.1                   |

Revenue recognized in the three and nine months ended September 30, 2018 that was included in the contract liability balance at the beginning of the period was \$1.6 million and \$4.6 million, respectively. This revenue was driven primarily by equipment performance obligations being satisfied.

The contract liability balance represents deferred revenue, primarily related to equipment accruals. The increase in 2018 to deferred revenue was driven predominately by new contracts recently entered.

Remaining Performance Obligations

Our enforceable contractual obligations tend to be short term in nature, and the following table does not include the transaction price of any remaining performance obligations that are part of the contracts with expected durations of less than one year. Additionally, the following table summarizes the estimated transaction price from contracts with customers allocated to performance obligations or portions of performance obligations that have not yet been satisfied as of September 30, 2018, as well as the expected timing of recognition of that transaction price.

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|               |            |           |       |
|---------------|------------|-----------|-------|
|               | Short-Term |           |       |
| (In millions) | (12 months | Long-Term | Total |
|               | or less)   |           |       |

|                         |        |        |        |
|-------------------------|--------|--------|--------|
| Total transaction price | \$ 1.6 | \$ 7.5 | \$ 9.1 |
|-------------------------|--------|--------|--------|

Assets recognized for the costs to obtain or fulfill a contract

The Company recognizes incremental costs to fulfill a contract as an asset if such incremental costs are expected to be recovered, relate directly to a contract or anticipated contract, and generate or enhance resources that will be used to satisfy performance obligations in the future.

The Company recognizes incremental costs to obtain a contract as an expense when incurred if the amortization period of the asset that otherwise would have been recognized is one year or less. For example, the Company generally expenses sales commissions when incurred because the amortization period would have been one year or less. These costs are recorded within sales and marketing expenses.

Costs for shipping and handling activities performed after a customer obtains control of a good are accounted for as costs to fulfill a contract and are included in cost of goods sold.

Note 4 Discontinued Operations, Divestitures and Acquisitions

Discontinued Operations

On March 25, 2017, we entered into a definitive agreement to sell our Diversey Care division and the food hygiene and cleaning business within our Food Care division (collectively, "Diversey") for gross proceeds of USD equivalent of \$3.2 billion, subject to customary closing conditions. The transaction was completed on September 6, 2017. During 2018, we recorded an additional net gain on the sale of Diversey of \$41.9 million, net of taxes. This was related to the final net working capital settlement as well as the release of tax indemnity reserves upon expiration of statute of limitations.

We have classified the operating results of Diversey, together with certain costs related to the divestiture transaction, as discontinued operations, net of tax, in the Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2017.

Summary operating results of Diversey were as follows:

| (In millions)   | Three<br>Months<br>Ended<br>September<br>30, 2017 | Nine<br>Months<br>Ended<br>September<br>30, 2017 |
|---|---|--|
| Net sales   | \$ 434.6  | \$ 1,667.5                                       |
| Cost of sales   | 249.1   | 949.5  |
| Gross profit  | 185.5   | 718.0  |
| Selling, general and administrative expenses                      | 131.0   | 537.8  |
| Amortization expense of intangible assets acquired                | 7.7   | 23.9   |
| Operating profit  | 46.8  | 156.3  |
| Other expense, net  | (9.0)   | (17.0)   |
| Earnings from discontinued operations before income tax provision | 37.8  | 139.3  |
| Income tax provision from discontinued operations <sup>(1)</sup>  | 12.1  | 28.0   |
| Net earnings from discontinued operations, net of tax             | \$ 25.7   | \$ 111.3   |

For the three and nine months ended September 30, 2017, net earnings from discontinued operations was impacted <sup>(1)</sup> by \$12.1 million and \$28.0 million expense, respectively, related to a change in the repatriation strategy of foreign earnings offset by favorable earnings mix in jurisdictions with lower rates.





The following table presents selected financial information regarding cash flows of Diversey that are included within discontinued operations in the Condensed Consolidated Statements of Cash Flows:

| (In millions)   | Nine<br>Months<br>Ended<br>September<br>30, 2017 |
|---|--|
| Non-cash items included in net earnings from discontinued operations: |  |
| Depreciation and amortization   | \$ 29.3  |
| Share-based incentive compensation                                    | 10.2   |
| Profit sharing expense  | 3.0  |
| Provision for bad debt  | 2.3  |
| Capital expenditures  | 11.9   |

The amounts disclosed in the tables above have been excluded from the Notes to Condensed Consolidated Financial Statements unless otherwise noted.

#### Divestitures

##### Divestiture of Embalagens Ltda.

On August 1, 2017, we entered into an agreement to sell our polystyrene food tray business in Guarulhos, Brazil for a gross purchase price of R\$26.9 million (or \$8.2 million as of the closing date of March 19, 2018). The purchase price is subject to working capital, cash and debt adjustments. For the three and nine months ended September 30, 2018, the Company recognized an immaterial net loss on sale and a net gain on the sale of \$1.0 million, respectively, within other (expense) income, net on the Condensed Consolidated Statements of Operations.

#### Acquisitions

##### Acquisition of AFP

On August 1, 2018, the Company acquired AFP, Inc., a leading, privately held fabricator of foam, corrugated, molded pulp and wood packaging solutions, to join its Product Care division. This acquisition further expands our protective packaging solutions in the electronics, transportation and industrial markets with custom-engineered applications. We acquired 100% of AFP shares for an estimated consideration of \$70.8 million, excluding \$2.9 million of cash acquired, subject to purchase price adjustments which will be finalized in 2019.

The following table summarizes the consideration transferred to acquire AFP and the preliminary allocation of the purchase price among the assets acquired and liabilities assumed. As of September 30, 2018 there were no adjustments made to the preliminary allocation.

| (In millions)                             | Preliminary<br>Allocation<br>As of<br>August 1,<br>2018 |
|---|---|
| Total consideration transferred           | \$ 70.8   |
| Assets:                                   |   |
| Cash and cash equivalents                 | 2.9   |
| Trade receivables, net                    | 30.8  |
| Inventories, net                          | 7.1   |
| Prepaid expenses and other current assets | 0.7   |
| Property and equipment, net               | 3.5   |
| Identifiable intangible assets, net       | 18.6  |
| Goodwill                                  | 21.6  |
| Other non-current assets                  | 0.7   |
| Total assets                              | \$ 85.9   |
| Liabilities:                              |   |
| Accounts payable                          | 13.8  |
| Other current liabilities                 | 1.3   |
| Total liabilities                         | \$ 15.1   |

The following tables summarizes the identifiable intangible assets, net and their useful life.

|   | Amount<br>(in<br>millions) | Useful life<br>(in years) |
|---|----------------------------|---------------------------|
| Customer relationships                      | \$ 16.6                    | 11                        |
| Trademarks and tradenames                   | 2.0                        | 15                        |
| Total intangible assets with definite lives | \$ 18.6                    |                           |

#### Acquisition of Fagerdala

On October 2, 2017, the Company acquired Fagerdala Singapore Pte Ltd. ("Fagerdala"), a manufacturer and fabricator of polyethylene foam based in Singapore, to join its Product Care division. We acquired 100% of Fagerdala shares for estimated consideration of S\$144.2 million, or \$106.2 million, excluding cash acquired of \$13.3 million, inclusive of purchase price adjustments which were finalized in the third quarter of 2018. We acquired Fagerdala to leverage its manufacturing footprint in Asia, expertise in foam manufacturing and fabrication, and commercial organization to grow sales in the consumer electronics, medical equipment and devices, automotive, temperature assurance, and e-commerce fulfillment sectors.

The following table summarizes the consideration transferred to acquire Fagerdala and the preliminary and final allocation of the purchase price among the assets acquired and liabilities assumed.

| (In millions)                             | Preliminary Allocation<br>As of<br>October 2,<br>2017 | Measurement Period<br>Adjustments | Revised Allocation<br>As of<br>September<br>30, 2018 |
|---|---|-----------------------------------|--|
| Total consideration transferred           | \$ 106.6  | \$ (0.4 )                         | \$ 106.2   |
| Assets:                                   |   |                                   |  |
| Cash and cash equivalents                 | 13.3  | —                                 | 13.3   |
| Trade receivables, net                    | 22.4  | —                                 | 22.4   |
| Inventories, net                          | 10.0  | 0.1                               | 10.1   |
| Prepaid expenses and other current assets | 8.4   | —                                 | 8.4  |
| Property and equipment, net               | 23.3  | —                                 | 23.3   |
| Identifiable intangible assets, net       | 41.4  | 0.7                               | 42.1   |
| Goodwill                                  | 39.3  | (1.5 )                            | 37.8   |
| Total assets                              | \$ 158.1  | \$ (0.7 )                         | \$ 157.4   |
| Liabilities:                              |   |                                   |  |
| Short-term borrowings                     | 14.0  | —                                 | 14.0   |
| Accounts payable                          | 6.9   | —                                 | 6.9  |
| Other current liabilities                 | 15.1  | (0.1 )                            | 15.0   |
| Long-term debt, less current portion      | 3.8   | —                                 | 3.8  |
| Non-current deferred taxes                | 11.7  | (0.2 )                            | 11.5   |
| Total liabilities                         | \$ 51.5   | \$ (0.3 )                         | \$ 51.2  |

The following tables summarizes the identifiable intangible assets, net and their useful life.

|   | Amount<br>(in<br>millions) | Useful life<br>(in years) |
|---|----------------------------|---------------------------|
| Customer relationships                      | \$ 25.4                    | 17                        |
| Trademarks and tradenames                   | 10.6                       | 15                        |
| Technology                                  | 6.1                        | 13                        |
| Total intangible assets with definite lives | \$ 42.1                    |                           |

#### Acquisition of Deltaplam

On August 1, 2017, the Food Care division acquired Deltaplam Embalagens Indústria e Comércio Ltda ("Deltaplam"), a family owned and operated Brazilian flexible packaging manufacturer. The preliminary fair value of the consideration transferred was approximately \$25.8 million. We recorded the fair value of the assets acquired and liabilities assumed on the acquisition date, which included \$8.1 million of goodwill and \$7.4 million of intangible assets. As of September 30, 2018, the final fair value of the consideration transferred was \$25.3 million, which included \$9.7 million of goodwill and \$5.9 million of intangible assets.

#### Note 5 Segments

To accelerate productivity improvements and elimination of operational redundancies, the Company implemented a change in allocation of Corporate expenses. These expenses are now allocated to Food Care and Product Care segments. For comparison purposes, the Company presented 2017 results to reflect the revised allocation of these costs. This segment reporting change has no impact on total Company operating results.

The Company's segment reporting structure consists of two reportable segments and a Corporate category as follows:

• Food Care; and

• Product Care.

The Company's Food Care and Product Care segments are considered reportable segments under FASB ASC Topic 280. Our reportable segments are aligned with similar groups of products and management team. Corporate includes certain costs that are not allocated to or monitored by the reportable segments' management. We allocate and disclose depreciation and amortization expense to our segments, although depreciation and amortization are not 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 they are 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 Corporate are the same as those applied to the Condensed Consolidated Financial Statements. Refer to "Non-U.S. GAAP Information" for additional details on the use and calculation of our non-U.S. GAAP measures presented below.

The following tables show Net Sales and Adjusted EBITDA by reportable segment:

| (In millions)                     | Three Months Ended |           | Nine Months Ended |           |
|-----------------------------------|--------------------|-----------|-------------------|-----------|
|                                   | September 30,      |           | September 30,     |           |
|                                   | 2018               | 2017      | 2018              | 2017      |
| Net Sales:                        |                    |           |                   |           |
| Food Care                         | \$727.2            | \$716.0   | \$2,136.5         | \$2,051.1 |
| As a % of Total Company net sales | 61.3               | % 63.3    | % 61.5            | % 63.4    |
| Product Care                      | 459.0              | 415.3     | 1,335.9           | 1,182.7   |
| As a % of Total Company net sales | 38.7               | % 36.7    | % 38.5            | % 36.6    |
| Total Company Net Sales           | \$1,186.2          | \$1,131.3 | \$3,472.4         | \$3,233.8 |

| (In millions)  | Three Months Ended |         | Nine Months Ended |         |
|--|--------------------|---------|-------------------|---------|
|  | September 30,      |         | September 30,     |         |
|  | 2018               | 2017    | 2018              | 2017    |
| Non-U.S. GAAP Adjusted EBITDA from continuing operations               |                    |         |                   |         |
| Food Care  | \$145.4            | \$139.6 | \$415.5           | \$393.4 |
| Adjusted EBITDA Margin   | 20.0               | % 19.5  | % 19.4            | % 19.2  |
| Product Care   | 76.4               | 77.9    | 233.3             | 210.6   |
| Adjusted EBITDA Margin   | 16.6               | % 18.8  | % 17.5            | % 17.8  |
| Corporate  | (2.9               | ) (0.7  | ) (7.6            | ) (9.0  |
| Non-U.S. GAAP Total Company Adjusted EBITDA from continuing operations | \$218.9            | \$216.8 | \$641.2           | \$595.0 |
| Adjusted EBITDA Margin   | 18.5               | % 19.2  | % 18.5            | % 18.4  |

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

| (In millions)   | Three Months Ended |                    | Nine Months Ended  |                    |
|---|--------------------|--------------------|--------------------|--------------------|
|   | September 30, 2018 | September 30, 2017 | September 30, 2018 | September 30, 2017 |
| Net earnings (loss) from continuing operations                                | \$75.6             | \$62.5             | \$(49.1)           | \$37.8             |
| Interest expense, net   | (44.8)             | (49.1)             | (131.3)            | (143.4)            |
| Income tax provision  | 33.4               | 43.7               | 388.4              | 236.5              |
| Depreciation and amortization <sup>(1)</sup>                                  | (41.1)             | (42.7)             | (122.3)            | (116.3)            |
| Depreciation and amortization adjustments                                     | 0.1                | —                  | 0.4                | —                  |
| Special Items:  |                    |                    |                    |                    |
| Restructuring and other charges <sup>(2)</sup>                                | (6.6)              | (6.2)              | (22.3)             | (9.2)              |
| Other restructuring associated costs  | (0.7)              | (2.9)              | (2.5)              | (12.7)             |
| Debt modification/extinguishment costs  | (1.5)              | —                  | (1.9)              | —                  |
| Charges related to acquisition and divestiture activity                       | (4.8)              | (6.7)              | (10.0)             | (4.8)              |
| Charges incurred due to the sale of Diversey                                  | (8.7)              | (13.7)             | (21.3)             | (47.6)             |
| Gain from class-action litigation settlement                                  | —                  | —                  | 12.6               | —                  |
| Settlement/curtailment benefits related to retained Diversey retirement plans | —                  | 13.5               | —                  | 13.5               |
| Other Special Items <sup>(3)</sup>  | (1.8)              | (2.8)              | (3.3)              | (0.2)              |
| Pre-tax impact of Special Items   | (24.1)             | (18.8)             | (48.7)             | (61.0)             |
| Non-U.S. GAAP Total Company Adjusted EBITDA from continuing operations        | \$218.9            | \$216.8            | \$641.2            | \$595.0            |

<sup>(1)</sup> Depreciation and amortization by segment is as follows:

| (In millions)  | Three Months Ended |                    | Nine Months Ended  |                    |
|--|--------------------|--------------------|--------------------|--------------------|
|  | September 30, 2018 | September 30, 2017 | September 30, 2018 | September 30, 2017 |
| Food Care  | \$25.6             | \$29.8             | \$79.8             | \$80.3             |
| Product Care   | 15.5               | 12.9               | 42.5               | 36.0               |
| Total Company depreciation and amortization <sup>(i)</sup> | \$41.1             | \$42.7             | \$122.3            | \$116.3            |

Includes share-based incentive compensation of \$8.3 million and \$23.6 million for the three and nine months ended

<sup>(i)</sup> September 30, 2018, respectively, and \$12.3 million and \$31.2 million for the three and nine months ended September 30, 2017, respectively.

<sup>(2)</sup> Restructuring and other charges by segment were as follows:

| (In millions)                                 | Three Months Ended |                    | Nine Months Ended  |                    |
|---|--------------------|--------------------|--------------------|--------------------|
|   | September 30, 2018 | September 30, 2017 | September 30, 2018 | September 30, 2017 |
| Food Care                                     | \$2.3              | \$3.9              | \$8.4              | \$5.8              |
| Product Care                                  | 4.3                | 2.3                | 13.9               | 3.4                |
| Total Company restructuring and other charges | \$6.6              | \$6.2              | \$22.3             | \$9.2              |

Other Special Items for the three and nine months ended September 30, 2018, primarily included fees related to (3) professional services. Other Special Items for the three and nine months ended September 30, 2017, primarily included transaction fees related to various divestitures and acquisitions.

Assets by Reportable Segments

The following table shows assets allocated by reportable segment. Assets allocated by reportable segment include: trade receivables, net, inventory, net, property and equipment, net, goodwill, net, intangible assets, net and leased systems, net.



| (In millions)                 | September<br>30, 2018 | December<br>31, 2017 |
|-------------------------------|-----------------------|----------------------|
| Assets allocated to segments: |                       |                      |
| Food Care                     | \$ 1,680.9            | \$ 1,545.5           |
| Product Care                  | 2,589.0               | 2,620.2              |
| Total segments                | 4,269.9               | 4,165.7              |
| Assets not allocated:         |                       |                      |
| Cash and cash equivalents     | \$ 191.3              | \$ 594.0             |
| Assets held for sale          | 0.6                   | 4.0                  |
| Income tax receivables        | 32.7                  | 85.1                 |
| Other receivables             | 88.7                  | 90.2                 |
| Deferred taxes                | 113.6                 | 176.2                |
| Other                         | 300.2                 | 165.1                |
| Total                         | \$ 4,997.0            | \$ 5,280.3           |

#### Note 6 Inventories, net

The following table details our inventories:

| (In millions)   | September<br>30, 2018 | December<br>31, 2017 |
|-----------------|-----------------------|----------------------|
| Raw materials   | \$ 94.6               | \$ 82.8              |
| Work in process | 154.1                 | 125.7                |
| Finished goods  | 356.7                 | 298.3                |
| Total           | \$ 605.4              | \$ 506.8             |

#### Note 7 Property and Equipment, net

The following table details our property and equipment, net:

| (In millions)                             | September<br>30, 2018 | December<br>31, 2017 |
|---|-----------------------|----------------------|
| Land and improvements                     | \$ 41.4               | \$ 43.5              |
| Buildings                                 | 730.9                 | 718.9                |
| Machinery and equipment                   | 2,333.7               | 2,330.5              |
| Other property and equipment              | 134.2                 | 116.3                |
| Construction-in-progress                  | 132.7                 | 114.7                |
| Property and equipment, gross             | 3,372.9               | 3,323.9              |
| Accumulated depreciation and amortization | (2,350.9 )            | (2,325.5 )           |
| Property and equipment, net               | \$ 1,022.0            | \$ 998.4             |

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>September<br>30,<br>2018 | Three<br>Months<br>Ended<br>September<br>30,<br>2017 | Nine<br>Months<br>Ended<br>September<br>30,<br>2018 | Nine<br>Months<br>Ended<br>September<br>30,<br>2017 |
|---------------|--|--|---|---|
|---------------|--|--|---|---|

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|  |        |        |        |        |
|--|--------|--------|--------|--------|
| Interest cost capitalized  | \$1.3  | \$1.8  | \$5.0  | \$7.8  |
| Depreciation and amortization expense for property and equipment | \$29.0 | \$27.3 | \$87.6 | \$75.9 |

Note 8 Goodwill and Identifiable Intangible Assets, net

Goodwill

The following table shows our goodwill balances by reportable segment. 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, 2018, 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 | Product<br>Care | Total     |
|---|--------------|-----------------|-----------|
| Carrying Value at December 31, 2017               | \$526.9      | \$1,412.9       | \$1,939.8 |
| Acquisition, purchase price and other adjustments | (0.6 )       | 20.1            | 19.5      |
| Currency translation                              | (5.2 )       | (2.2 )          | (7.4 )    |
| Carrying Value at September 30, 2018              | \$521.1      | \$1,430.8       | \$1,951.9 |

## Identifiable Intangible Assets, Net

The following tables summarize our identifiable intangible assets, net. As of September 30, 2018, there were no impairment indicators present.

| (In millions)                                   | September 30, 2018   |                          |                    | December 31, 2017    |                          |        |
|---|----------------------|--------------------------|--------------------|----------------------|--------------------------|--------|
|   | Gross Carrying Value | Accumulated Amortization | Net <sup>(1)</sup> | Gross Carrying Value | Accumulated Amortization | Net    |
| Customer relationships                          | \$71.1               | \$ (21.5 )               | \$49.6             | \$59.7               | \$ (19.7 )               | \$40.0 |
| Trademarks and tradenames                       | 13.3                 | (1.1 )                   | 12.2               | 11.6                 | (0.5 )                   | 11.1   |
| Capitalized software                            | 60.6                 | (46.9 )                  | 13.7               | 50.6                 | (40.0 )                  | 10.6   |
| Technology                                      | 37.4                 | (23.1 )                  | 14.3               | 39.2                 | (27.5 )                  | 11.7   |
| Contracts                                       | 13.6                 | (10.0 )                  | 3.6                | 10.9                 | (9.6 )                   | 1.3    |
| Total intangible assets with definite lives     | 196.0                | (102.6 )                 | 93.4               | 172.0                | (97.3 )                  | 74.7   |
| Trademarks and tradenames with indefinite lives | 8.9                  | —                        | 8.9                | 8.9                  | —                        | 8.9    |
| Total identifiable intangible assets, net       | \$204.9              | \$ (102.6 )              | \$102.3            | \$180.9              | \$ (97.3 )               | \$83.6 |

As of September 30, 2018, amounts include intangible assets acquired as part of the AFP acquisition. See Note 4, <sup>(1)</sup> "Discontinued Operations, Divestitures and Acquisitions" to the Notes to Consolidated Financial Statements for additional information related to the AFP acquisition.

The following table shows the remaining estimated future amortization expense at September 30, 2018.

| Year              | Amount<br>(in<br>millions) |
|-------------------|----------------------------|
| Remainder of 2018 | \$ 5.2                     |
| 2019              | 13.1                       |
| 2020              | 10.5                       |
| 2021              | 7.5                        |
| Thereafter        | 57.1                       |
| Total             | \$ 93.4                    |

## Note 9 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 we 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 to 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 are 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 September 30, 2018, the maximum purchase limit for receivable interests was \$60.0 million, subject to the availability limits described below.

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The amounts available from time to time under this program may be less than \$60.0 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. As of September 30, 2018, the amount available under the program was \$60.0 million. 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 decline in the amounts available to us under the program or termination of the program.

This program expires annually in August and is renewable.

#### 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 are classified as short-term borrowings on our Condensed Consolidated Balance Sheets. 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 September 30, 2018, the maximum purchase limit for receivable interests was €80.0 million (\$93.1 million equivalent at September 30, 2018), subject to availability limits. The terms and provisions of this program are similar to our U.S. program discussed above. As of September 30, 2018, the amount available under this program was €73.4 million (\$85.5 million equivalent as of September 30, 2018).

This program expires annually in August and is renewable.

#### Utilization of Our Accounts Receivable Securitization Programs

As of September 30, 2018, there were no amounts outstanding under our U.S. program and €72.0 million (\$83.9 million equivalent as of September 30, 2018) outstanding under our European program. We continue to service the trade receivables supporting the programs, and the banks are permitted to re-pledge this collateral. The total interest paid for these programs was \$0.2 million and \$0.4 million for the three and nine months ended September 30, 2018, and \$0.6 million and \$1.0 million for the three and nine months ended September 30, 2017, respectively.

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, 2018.

As of December 31, 2017, there were no amounts outstanding under our U.S. and European programs.

#### Note 10 Restructuring Activities

##### Consolidation of Restructuring Programs

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 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 to our new global headquarters in



Charlotte, North Carolina. The cost of the Charlotte campus was estimated to be approximately \$120 million. The Program also includes costs associated with the sale of Diversey. 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 | \$275-\$280                            |
| Other expenses associated with the Program                    | 135-140                                |
| Total expense   | \$410-\$420                            |
| Capital expenditures  | 240-245                                |
| 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 | \$ 259                                 |
| Other expenses associated with the Program                    | 126                                    |
| Total Cumulative Expense                                      | \$ 385                                 |
| Cumulative capital expenditures                               | \$ 236                                 |

The following table details our restructuring activities reflected in the Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2018 and 2017:

|   | Three<br>Months<br>Ended<br>September<br>30,<br>2018 |        | Nine<br>Months<br>Ended<br>September<br>30,<br>2017 |        |
|---|--|--------|---|--------|
| (In millions)                               |  |        |   |        |
| Continuing Operations:                      |  |        |   |        |
| Other associated costs                      | \$0.9  | \$2.9  | \$3.5   | \$12.7 |
| Restructuring charges                       | 6.6  | 6.2    | 22.3  | 9.2    |
| Total charges from continuing operations    | \$7.5  | \$9.1  | 25.8  | 21.9   |
| Charges included in discontinued operations | —  | (1.4 ) | —   | 2.3    |
| Total charges                               | \$7.5  | \$7.7  | \$25.8  | \$24.2 |
| Capital expenditures                        | \$0.1  | \$3.4  | \$0.6   | \$17.3 |

The restructuring accrual, spending and other activity for the nine months ended September 30, 2018 and the accrual balance remaining at September 30, 2018 related to these programs were as follows:

|  |         |
|--|---------|
| (In millions)  |         |
| Restructuring accrual at December 31, 2017           | \$16.1  |
| Accrual and accrual adjustments                      | 22.3    |
| Cash payments during 2018                            | (17.5 ) |
| Effect of changes in foreign currency exchange rates | (1.2 )  |
| Restructuring accrual at September 30, 2018          | \$19.7  |

We expect to pay \$19.3 million of the accrual balance remaining at September 30, 2018 within the next twelve months. This amount is included in accrued restructuring costs on the Condensed Consolidated Balance Sheets at September 30, 2018. The remaining accrual of \$0.4 million is expected to be paid in the fourth quarter of 2019. This amount is included in other non-current liabilities on our Condensed Consolidated Balance Sheets at September 30, 2018.



## Note 11 Debt and Credit Facilities

Our total debt outstanding consisted of:

| (In millions)   | September 30, December 31, |            |
|---|----------------------------|------------|
|   | 2018                       | 2017       |
| Short-term borrowings <sup>(1)</sup>                      | \$ 308.3                   | \$ 25.3    |
| Current portion of long-term debt                         | 5.1                        | 2.2        |
| Total current debt  | 313.4                      | 27.5       |
| Term Loan A due July 2023                                 | 223.2                      | 222.7      |
| 6.50% Senior Notes due December 2020                      | 423.9                      | 423.6      |
| 4.875% Senior Notes due December 2022                     | 420.9                      | 420.4      |
| 5.25% Senior Notes due April 2023                         | 421.0                      | 420.4      |
| 4.50% Senior Notes due September 2023                     | 462.6                      | 474.3      |
| 5.125% Senior Notes due December 2024                     | 421.2                      | 420.7      |
| 5.50% Senior Notes due September 2025                     | 397.0                      | 396.7      |
| 6.875% Senior Notes due July 2033                         | 445.5                      | 445.4      |
| Other   | 27.2                       | 6.3        |
| Total long-term debt, less current portion <sup>(3)</sup> | 3,242.5                    | 3,230.5    |
| Total debt <sup>(2)</sup>                                 | \$ 3,555.9                 | \$ 3,258.0 |

Short-term borrowings of \$308.3 million at September 30, 2018 are comprised of \$212.4 million under our revolving credit facility, \$83.9 million under our European securitization program and \$12.0 million of short-term borrowings from various lines of credit. Short-term borrowings of \$25.3 million at December 31, 2017 were comprised \$2.1 million of Diversey accounts payable obligations under financing arrangements which Sealed Air was fully reimbursed for as part of the sale of Diversey as well as \$23.2 million of short-term borrowings from various lines of credit.

As of September 30, 2018, our weighted average interest rate on our short-term borrowings outstanding was 2.8% and on our long-term debt outstanding was 5.4%. As of December 31, 2017, our weighted average interest rate on our short-term borrowings outstanding was 5.4% and on our long-term debt outstanding was 5.3%.

Amounts are net of unamortized discounts and issuance costs of \$25.3 million as September 30, 2018 and \$29.5 million as of December 31, 2017.

## Amended and Restated Senior Secured Credit Facility

On July 12, 2018, the Company and certain of its subsidiaries entered into a third amended and restated credit agreement and an amendment No. 1 thereto (the "Third Amended and Restated Agreement") whereby its senior secured credit facility was amended and restated 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 and revolving credit facilities with a new U.S. dollar term loan A facility in an aggregate principal amount of approximately \$186.5 million, a new pounds sterling term loan A facility in an aggregate principal amount of approximately £29.4 million, and increased our revolving credit facilities from \$700 million to \$1.0 billion (including revolving facilities available in U.S. dollars, euros, pounds sterling, Canadian dollars, Australian dollars, Japanese yen, New Zealand dollars and Mexican pesos), (ii) increased flexibility to lower the interest rate margin for the term loan A facilities and revolving credit facilities, which will range from 125 to 200 basis points (bps) in the case of LIBOR loans, subject to the achievement of certain leverage tests, (iii) the extension of the final maturity of the term loan A facilities and revolving credit commitment to July 11, 2023, (iv) the removal of the requirement to prepay the loans with respect to excess cash flow, (v) adjustments to the financial maintenance covenant of Consolidated Net Debt to Consolidated EBITDA (in each case, as defined in the Third Amended and Restated Credit Agreement) and other covenants to provide additional flexibility to the Company, (vi) the release of certain non-U.S. asset collateral previously pledged by certain of the Company's subsidiaries and (vii) other amendments.

As a result of the Third Amended and Restated Credit Agreement, we recognized \$1.9 million of loss on debt redemption in our Condensed Consolidated Statements of Operations. This amount includes \$1.5 million of accelerated amortization of original issuance discount related to the term loan A and lender and non-lender fees related to the entire credit facility. Also included in the loss on debt redemption was \$0.4 million of non-lender fees incurred in connection with the Third Amended and Restated Credit Agreement. In addition, we incurred \$0.7 million of lender and third party fees that are included

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in the carrying amounts of the outstanding debt under the credit facility. We also capitalized \$4.9 million of fees that are included in other assets on our Condensed Consolidated Balance Sheets.

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 2018 related to the senior secured credit facility was \$0.5 million and \$2.7 million for the three and nine months ended September 30, 2018, 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 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)                                  | September 30, December 31, |            |
|--|----------------------------|------------|
|  | 2018                       | 2017       |
| Used lines of credit <sup>(1)</sup>            | \$ 308.3                   | \$ 23.2    |
| Unused lines of credit                         | 1,060.5                    | 1,108.6    |
| Total available lines of credit <sup>(2)</sup> | \$ 1,368.8                 | \$ 1,131.8 |

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

(2) Of the total available lines of credit, \$1,145.5 million was committed as of September 30, 2018.

#### Covenants

Each issue of our outstanding senior notes imposes limitations on our operations and those of specified subsidiaries. The Third Amended and Restated Credit Agreement 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 Third Amended and Restated Credit Agreement). We were in compliance with the above financial covenants and limitations at September 30, 2018.

#### Note 12 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 accumulated other comprehensive income (loss)

("AOCI") 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 cash flow hedging activities that were included in AOCI were a loss of less than \$1.0 million and a \$2.5 million gain for the three and nine months ended September 30, 2018, respectively, and a \$1.6 million loss and a \$6.1 million loss for the three and nine months ended September 30, 2017, respectively. The unrealized amounts in AOCI will fluctuate based on changes in the fair value of open contracts during each reporting period.

We estimate that \$1.0 million of net unrealized gains related to cash flow hedging activities included in 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 September 30, 2018 and December 31, 2017, we had no outstanding interest rate swaps.

#### Net Investment Hedge

The €400.0 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 change in the fair value of the debt was \$15.7 million (\$8.1 million net of tax) as of September 30, 2018, and is reflected in AOCI on our Condensed Consolidated Balance Sheets.

In March 2015, we entered into a series of cross-currency swaps with a combined notional amount of \$425.0 million, hedging a portion of the net investment in a certain European subsidiary against fluctuations in foreign exchange rates. As a result of the sale of Diversey, we terminated these cross-currency swaps in September 2017 and settled these swaps in October 2017. The fair value of the swaps on the date of termination was a liability of \$61.9 million which was partially offset by semi-annual interest settlements of \$17.7 million. This resulted in a net impact of \$(44.2) million which is recorded in AOCI.

For derivative instruments that are designated and qualify as hedges of net investments in foreign operations, 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 (expense) 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 13, "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      |                   | Non-Designated |                   | Total          |                   |
|---|----------------|-------------------|----------------|-------------------|----------------|-------------------|
|   | September 2018 | December 31, 2017 | September 2018 | December 31, 2017 | September 2018 | December 31, 2017 |
| <b>Derivative Assets</b>                    |                |                   |                |                   |                |                   |
| Foreign currency forward contracts          | \$1.0          | \$ 0.5            | \$ 1.1         | \$ 3.6            | \$2.1          | \$ 4.1            |
| Total Derivative Assets                     | \$1.0          | \$ 0.5            | \$ 1.1         | \$ 3.6            | \$2.1          | \$ 4.1            |
| <b>Derivative Liabilities</b>               |                |                   |                |                   |                |                   |
| Foreign currency forward contracts          | \$(0.1)        | \$( 2.4 )         | \$(3.8 )       | \$( 3.3 )         | \$(3.9)        | \$( 5.7 )         |
| Total Derivative Liabilities <sup>(1)</sup> | \$(0.1)        | \$( 2.4 )         | \$(3.8 )       | \$( 3.3 )         | \$(3.9)        | \$( 5.7 )         |
| Net Derivatives <sup>(2)</sup>              | \$0.9          | \$ (1.9 )         | \$(2.7 )       | \$ 0.3            | \$(1.8)        | \$( 1.6 )         |

(1) Excludes €400.0 million of euro-denominated debt (\$462.6 million equivalent at September 30, 2018 and \$474.3 million equivalent at December 31, 2017), designated as a net investment hedge.

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

| (In millions)   | Other Current Assets |                   | Other Current Liabilities |                   |
|---|----------------------|-------------------|---------------------------|-------------------|
|   | September 2018       | December 31, 2017 | September 2018            | December 31, 2017 |
| Gross position  | \$2.1                | \$ 4.1            | \$(3.9)                   | \$( 5.7 )         |
| Impact of master netting agreements                                 | (0.1 )               | (0.4 )            | 0.1                       | 0.4               |
| Net amounts recognized on the Condensed Consolidated Balance Sheets | \$2.0                | \$ 3.7            | \$(3.8)                   | \$( 5.3 )         |

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

| (In millions)   | Location of Gain (Loss) Recognized on Condensed Consolidated Statements of Operations | Amount of Gain (Loss) Recognized in Earnings on Derivatives |          |                                      |          |
|---|---|---|----------|--------------------------------------|----------|
|   |   | Three Months Ended September 30, 2018                       |          | Nine Months Ended September 30, 2017 |          |
| <b>Derivatives designated as hedging instruments:</b>     |   |   |          |                                      |          |
| <b>Cash Flow Hedges:</b>                                  |   |   |          |                                      |          |
| Foreign currency forward contracts                        | Cost of sales   | \$1.1   | \$(0.1 ) | \$(0.7)                              | \$0.7    |
| Treasury locks  | Interest expense, net   | —   | —        | 0.1                                  | 0.1      |
| Sub-total cash flow hedges                                |   | 1.1   | (0.1 )   | (0.6 )                               | 0.8      |
| <b>Fair Value Hedges:</b>                                 |   |   |          |                                      |          |
| Interest rate swaps                                       | Interest expense, net   | 0.1   | 0.2      | 0.4                                  | 0.4      |
| <b>Derivatives not designated as hedging instruments:</b> |   |   |          |                                      |          |
| Foreign currency forward contracts                        | Other (expense) income, net   | (0.8 )  | (16.3 )  | (8.3 )                               | (12.9 )  |
| Total   |   | \$0.4   | \$(16.2) | \$(8.5)                              | \$(11.7) |

Note 13 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

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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, 2018 |          |          |         |
|---|--------------------|----------|----------|---------|
| (In millions)   | Total Fair Value   | Level 1  | Level 2  | Level 3 |
| Cash equivalents  | \$46.0             | \$ 46.0  | \$ —     | \$ —    |
| Derivative financial and hedging instruments net liability: |                    |          |          |         |
| Foreign currency forward contracts and options              | \$(1.8 )           | \$ —     | \$(1.8 ) | \$ —    |
|   |                    |          |          |         |
|   | December 31, 2017  |          |          |         |
| (In millions)   | Total Fair Value   | Level 1  | Level 2  | Level 3 |
| Cash equivalents  | \$297.5            | \$ 297.5 | \$ —     | \$ —    |
| Derivative financial and hedging instruments net liability: |                    |          |          |         |
| Foreign currency forward contracts                          | \$(1.6 )           | \$ —     | \$(1.6 ) | \$ —    |

#### Cash Equivalents

Our cash equivalents at September 30, 2018 and December 31, 2017 consisted of bank time deposits (Level 1). Since these are short-term highly liquid investments with remaining 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, foreign currency options, 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. 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)  | September 30,<br>2018 |               | December 31,<br>2017 |               |
|--|-----------------------|---------------|----------------------|---------------|
|  | Carrying<br>Amount    | Fair<br>Value | Carrying<br>Amount   | Fair<br>Value |
| Term Loan A Facility due July 2023 <sup>(1)</sup>    | \$223.2               | \$223.2       | \$222.7              | \$222.7       |
| 6.50% Senior Notes due December 2020                 | 423.9                 | 447.1         | 423.6                | 465.1         |
| 4.875% Senior Notes due December 2022                | 420.9                 | 429.1         | 420.4                | 451.0         |
| 5.25% Senior Notes due April 2023                    | 421.0                 | 431.9         | 420.4                | 455.6         |
| 4.50% Senior Notes due September 2023 <sup>(1)</sup> | 462.6                 | 523.2         | 474.3                | 544.4         |
| 5.125% Senior Notes due December 2024                | 421.2                 | 427.7         | 420.7                | 456.2         |
| 5.50% Senior Notes due September 2025                | 397.0                 | 407.3         | 396.7                | 439.9         |
| 6.875% Senior Notes due July 2033                    | 445.5                 | 485.7         | 445.4                | 527.3         |
| Other foreign borrowings <sup>(1)</sup>              | 154.2                 | 153.0         | 30.2                 | 30.4          |
| Other domestic borrowings                            | 186.4                 | 186.6         | 3.6                  | 3.6           |
| Total debt   | \$3,555.9             | \$3,714.8     | \$3,258.0            | \$3,596.2     |

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

In addition to the table above, the Company remeasures amounts related to 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. Refer to Note 4 “Discontinued Operations, Divestitures and Acquisitions” of the 2017 Annual Form 10-K for information regarding contingent consideration and Note 17 “Stockholders’ (Deficit) Equity,” of the Notes to Condensed Consolidated Financial Statements for share-based compensation.

## Note 14 Defined Benefit Pension Plans and Other Post-Employment Benefit Plans

The following table shows the components of our net periodic benefit cost (income) for our defined benefit pension plans for the three and nine months ended September 30, 2018 and 2017:

| (In millions)                                     | Three Months Ended<br>September 30, 2018 |               |         | Three Months Ended<br>September 30, 2017 |               |         |
|---|--|---------------|---------|--|---------------|---------|
|   | U.S.                                     | International | Total   | U.S.                                     | International | Total   |
| Components of net periodic benefit cost (income): |  |               |         |  |               |         |
| Service cost                                      | \$—                                      | \$ 1.0        | \$1.0   | \$—                                      | \$ 1.7        | \$1.7   |
| Interest cost                                     | 1.6                                      | 3.9           | 5.5     | 1.6                                      | 4.0           | 5.6     |
| Expected return on plan assets                    | (2.2)                                    | (7.4)         | (9.6)   | (2.4)                                    | (7.6)         | (10.0)  |
| Amortization of net actuarial loss                | 0.3                                      | 0.6           | 0.9     | 0.2                                      | 1.4           | 1.6     |
| Net periodic income                               | (0.3)                                    | (1.9)         | (2.2)   | (0.6)                                    | (0.5)         | (1.1)   |
| Cost of settlement/curtailment                    | 1.4                                      | 0.2           | 1.6     | 0.4                                      | 0.9           | 1.3     |
| Total benefit cost (income)                       | \$1.1                                    | \$ (1.7)      | \$(0.6) | \$(0.2)                                  | \$ 0.4        | \$0.2   |
|   | Nine Months Ended<br>September 30, 2018  |               |         | Nine Months Ended<br>September 30, 2017  |               |         |
|   | U.S.                                     | International | Total   | U.S.                                     | International | Total   |
| Components of net periodic benefit cost (income): |  |               |         |  |               |         |
| Service cost                                      | \$0.1                                    | \$ 3.1        | \$3.2   | \$0.1                                    | \$ 5.1        | \$5.2   |
| Interest cost                                     | 4.8                                      | 11.7          | 16.5    | 5.1                                      | 12.0          | 17.1    |
| Expected return on plan assets                    | (6.6)                                    | (22.3)        | (28.9)  | (7.3)                                    | (22.8)        | (30.1)  |
| Amortization of net actuarial loss                | 0.7                                      | 1.9           | 2.6     | 0.6                                      | 4.2           | 4.8     |
| Net periodic income                               | (1.0)                                    | (5.6)         | (6.6)   | (1.5)                                    | (1.5)         | (3.0)   |
| Cost of settlement/curtailment                    | 1.4                                      | 0.3           | 1.7     | 1.2                                      | 1.4           | 2.6     |
| Total benefit cost (income)                       | \$0.4                                    | \$ (5.3)      | \$(4.9) | \$(0.3)                                  | \$ (0.1)      | \$(0.4) |

The following table shows the components of our net periodic benefit cost (income) for our other post-retirement employee benefit plans for the three and nine months ended September 30, 2018 and 2017:

| (In millions)                                     | Three<br>Months<br>Ended<br>September<br>30,<br>2018 |          | Nine Months<br>Ended<br>September 30,<br>2017 |          |
|---|--|----------|---|----------|
|   | 2018   | 2017     | 2018  | 2017     |
| Components of net periodic benefit cost (income): |  |          |   |          |
| Service costs                                     | \$—  | \$—      | \$—   | \$0.1    |
| Interest cost                                     | 0.4  | 0.4      | 1.1   | 1.3      |
| Amortization of net prior service cost            | —  | (0.3)    | (0.2)   | (1.1)    |
| Amortization of net actuarial loss                | —  | —        | (0.1)   | (0.1)    |
| Net periodic benefit cost                         | 0.4  | 0.1      | 0.8   | 0.2      |
| Income of settlement/curtailment                  | —  | (13.5)   | —   | (13.5)   |
| Total benefit cost (income)                       | \$0.4  | \$(13.4) | \$0.8   | \$(13.3) |

In 2017, the net periodic (income) costs related to Diversify plans were excluded from the tables above. The amounts of the costs charged to discontinued operations were as follows:

| (In millions)                                    | Three<br>Months<br>Ended<br>September<br>30, 2017 | Nine<br>Months<br>Ended<br>September<br>30, 2017 |
|--|---|--|
| Defined benefit pension plans                    | \$ (0.1 )   | \$ (0.5 )  |
| Other employee benefit plans                     | 0.1   | 0.1  |
| Total income included in discontinued operations | \$ —  | \$ (0.4 )  |

Note 15 Income Taxes

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#### Effective Income Tax Rate and Income Tax Provision

On December 22, 2017, the TCJA was enacted, substantially changing the U.S. tax system and affecting the Company in a number of ways. Notably, the TCJA:

- establishes a flat corporate income tax rate of 21.0% on U.S. earnings;
- imposes a one-time tax on unremitted cumulative non-U.S. earnings of foreign subsidiaries (“Transition Tax”);
- generally allows for the repatriation of future earnings of foreign subsidiaries without incurring additional U.S. taxes by transitioning to a territorial system of taxation;
- imposes a new minimum tax on certain non-U.S. earnings, irrespective of the territorial system of taxation, global intangible low-taxed income (GILTI);
- subjects certain payments made by a U.S. company to a related foreign company to certain minimum taxes (Base Erosion Anti-Abuse Tax);
- eliminates certain prior tax incentives for manufacturing in the United States and creates an incentive for U.S. companies to sell, lease or license goods and services abroad by allowing for a reduction in taxes owed on earnings related to such sales;
- allows the cost of investments in certain depreciable assets acquired and placed in service after September 27, 2017 to be immediately expensed;
- reduces deductions with respect to certain compensation paid to specified executive officers; and
- allows for installment payments to be paid over a period of eight years and the first installment was paid in 2018.

On December 22, 2017, Staff Accounting Bulletin No. 118 (“SAB 118”) was issued to address the application of U.S. GAAP in situations when a registrant does not have the necessary information available, prepared or analyzed in reasonable detail to complete the accounting for certain income tax effects of TCJA. SAB 118 provides that where reasonable estimates can be made, the provisional accounting should be based on such estimates and when no reasonable estimate can be made, the provisional accounting may be based on the tax law in effect before the TCJA. We have applied the guidance in SAB 118 when accounting for the enactment-date effects of TCJA. Accordingly, we remeasured U.S. deferred tax assets and liabilities based on the income tax rates at which the deferred tax assets and liabilities are expected to reverse in the future (generally 21.0%), in 2017. This remeasurement resulted in \$41.1 million of tax expense for the year ended December 31, 2017. At December 31, 2017, we were not able to reasonably estimate the impact of Transition Tax and therefore our transition tax provision occurred in the first quarter of 2018. For a description of the impact of the TCJA for the year ended December 31, 2017, reference is made to Note 16, “Income Taxes,” of the Notes to Consolidated Financial Statements contained in Part II, Item 8 of our Annual Report on Form 10-K for the year ended December 31, 2017.

The one-time Transition Tax is based on our total post-1986 earnings and profits (“E&P”), which we had deferred from U.S. taxes under prior law. During the nine months ended September 30, 2018, the Company recognized a provisional tax liability of \$290.0 million for the Transition Tax. We filed our 2017 U.S. income tax return on October 15, 2018, and expect to complete the accounting for Transition Tax in the fourth quarter of 2018 when the analysis of the tax position is finalized.

For interim tax reporting, we estimate one single effective tax rate for tax jurisdictions not subject to a valuation allowance, which is applied to the year-to-date ordinary income/(loss). Tax effects of significant unusual or infrequently occurring items are excluded from the estimated annual effective tax rate calculation and recognized in the interim period in which they occur.

Our effective income tax rate was 30.6% and 114.5% for the three and nine months ended September 30, 2018. The difference between the Company’s effective income tax rate and the U.S. statutory rate of 21.0% relates to the provisional amount for Transition Tax associated with the TCJA, withholding taxes, non-deductible expenses, state

income taxes, and the effect of the GILTI provision enacted as part of the TCJA, partially offset by the benefits from lapses in statute of limitations on foreign unrecognized tax benefits.

Our effective income tax rate was 41.1% and 86.2% for the three and nine months ended September 30, 2017. The effective income tax rate for the nine months ended September 30, 2017 was higher than our calculated interim rate primarily as a result of distributions of earnings which had previously been determined to be indefinitely reinvested in operations outside the United States. Our change in assertion for these investments was related to distributions in anticipation of the sale of Diversey.

The GILTI provisions, which require us to include in our U.S. income tax return foreign subsidiary earnings in excess of an allowable return on the foreign subsidiary's tangible assets, are complex and subject to continuing regulatory interpretation by the U.S. Internal Revenue Service ("IRS"). We are required to make an accounting policy election to either (1)

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treat taxes due on future U.S. inclusions in taxable income related to GILTI as a current period expense when incurred (the “period cost method”) or (2) factor such amounts into the Company’s measurement of its deferred taxes (the “deferred method”). We have elected to recognize the GILTI as a period expense in the period the tax is incurred. Under this policy, we have not provided deferred taxes related to temporary differences that upon their reversal will affect the amount of income subject to GILTI in the period. This election increases the annual effective tax rate by approximately 2.5%. We will continue to refine our calculation which may result in changes to this amount.

#### Note 16 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, 2017 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 Sheets or Statements 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 Sheets or Statements 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:

- indemnities in connection with the sale of businesses, primarily related to the sale of Diversey. Our indemnity obligations under the relevant agreements may be limited in terms of time, amount or scope. As it relates to certain income tax related liabilities, the relevant agreements may not provide any cap for such liabilities, and the period in which we would be liable would lapse upon expiration of the statute of limitation for assessment of the underlying taxes. Due to the conditional nature of these obligations and the unique facts and circumstances involved in each particular agreement, we are unable to reasonably estimate the potential maximum exposure under these items;
- 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 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 Sheets or Statements of Operations; and
- intellectual property warranties in which we have agreed to indemnify customers against third party infringement claims based on certain products sold to those customers.

As of September 30, 2018, the Company has no reason to believe a loss exceeding amounts already recognized would be incurred.

#### Note 17 Stockholders’ (Deficit) 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 had 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.

In March 2017, our Board of Directors authorized an increase to the existing share repurchase program by up to an additional \$1.5 billion of the Company's common stock. Additionally, in May 2018, the Board of Directors reset the share repurchase program authorization to \$1.0 billion. This new program has no expiration date and replaces the previous authorizations.

During the three and nine months ended September 30, 2018, we repurchased 2,959,638 and 13,535,170 shares, for approximately \$121.5 million and \$603.1 million, respectively. These repurchases were made under privately negotiated, accelerated share repurchase activity 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 authorized by our Board of Directors.

During the three and nine months ended September 30, 2018, share repurchases under open market transactions were 2,959,638 and 12,315,534 shares, for approximately \$121.5 million and \$523.1 million with an average share price of \$41.04 and \$42.47, respectively.

In November 2017, the Company entered into an accelerated share repurchase agreement with a third-party financial institution to repurchase \$400.0 million of the Company's common stock. Through December 31, 2017, the Company received a total of 7,089,056 shares under this agreement. At the conclusion of the program in February 2018, the Company received a total of 8,308,692 shares with an average share price of \$48.14.

During the three and nine months ended September 30, 2017, we repurchased 1,661,782 and 5,198,090 shares, for approximately \$72.4 million and \$227.7 million, respectively.

#### Dividends

On October 4, 2018, our Board of Directors declared a quarterly cash dividend of \$0.16 per common share, which will be paid on December 21, 2018, to stockholders of record at the close of business on December 7, 2018.

On July 13, 2018, our Board of Directors declared a quarterly cash dividend of \$0.16 per common share, or \$25.1 million, which was paid on September 21, 2018, to stockholders of record at the close of business on September 7, 2018.

The dividends paid in the nine months ended September 30, 2018 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 Statements of Operations. There is no guarantee that our Board of Directors will declare any further dividends.

#### Share-based Compensation

Under the 2014 Omnibus Incentive Plan ("Omnibus Incentive Plan"), the maximum number of shares of Common Stock authorized was 4,250,000, plus total shares available to be issued as of May 22, 2014 under the 2002 Directors Stock Plan and the 2005 Contingent Stock Plan. In 2018, the Board of Directors adopted, and its shareholders approved an

amendment and restatement to the 2014 Omnibus Incentive Plan. The amended plan adds 2,199,114 shares of common stock to the share pool previously available under the Omnibus Incentive Plan.

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 Performance Share Unit ("PSU") awards programs described below, the cumulative amount accrued to date is adjusted up or down to the extent the expected performance against the targets has improved or worsened.

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

|   | Three Months Ended September 30, 2018 |        | Nine Months Ended September 30, 2017 |        |
|---|---------------------------------------|--------|--------------------------------------|--------|
| (In millions)   | 2018                                  | 2017   | 2018                                 | 2017   |
| Total share-based incentive compensation expense <sup>(1)</sup> | \$8.3                                 | \$12.3 | \$22.9                               | \$31.4 |

The amounts included above do not include the expense related to our U.S. profit sharing contributions made in the <sup>(1)</sup> form of our common stock or the expense or income related to certain cash-based awards, however, the amounts include the expense related to share based awards that are settled in cash.

#### 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 years 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 days 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 Sheets.

#### 2018 Three-year PSU Awards

In 2018, the O&C Committee approved awards with a three-year performance period beginning January 1, 2018 to December 31, 2020 for certain executives. The O&C Committee established performance goals, which are (i) total shareholder return (TSR) weighted at 34%, (ii) 2020 consolidated adjusted EBITDA margin weighted at 33%, and (iii) Net Sales Compound Average Growth Rate in 2020 based on 2017 Net Sales weighted at 33%. 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     | Net Sales CAGR | Adjusted EBITDA |
|--------------------------|---------|----------------|-----------------|
| Number of units granted  | 56,829  | 57,378         | 57,378          |
| Fair value on grant date | \$43.40 | \$41.72        | \$ 41.72        |



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  |
|                           | 2018    |
|                           | PSU     |
|                           | Award   |
| Expected price volatility | 22.0 %  |
| Risk-free interest rate   | 2.0 %   |

## 2015 Three-year PSU Awards

In 2018, the O&C Committee reviewed the performance results for the 2015-2017 PSUs. Performance goals for these PSUs were based on Adjusted EBITDA margins and relative TSR. Based on overall performance for 2015-2017 PSUs, these awards paid out at 73.3% of target or 129,139 units.

## 2014 Special PSU Awards

In 2018, the O&C Committee reviewed the performance results for the second tranche of the 2014 Special PSUs. The performance goal for the Special PSUs was based on working capital as a percentage of 2017 Net Trade Sales. The overall performance for Special PSUs was above maximum achievement levels and as a result these awards paid out at 658,783 share-settled units.

## Note 18 Accumulated Other Comprehensive Income (Loss)

The following table provides details of comprehensive income (loss) for the nine months ended September 30, 2018 and 2017:

| (In millions)  | Unrecognized<br>Pension Items | Cumulative<br>Translation<br>Adjustment | Unrecognized Gains<br>(Losses) on<br>Derivative<br>Instruments<br>for net<br>investment<br>hedge | Unrecognized Gains<br>(Losses) on<br>Derivative<br>Instruments<br>for cash<br>flow hedge | Accumulated Other<br>Comprehensive<br>Income<br>(Loss), Net of Taxes |
|--|-------------------------------|---|--|--|--|
| Balance at December 31, 2016   | \$ (276.7 )                   | \$ (701.9 )                             | \$ 21.0  | \$ 8.5   | \$ (949.1 )  |
| Other comprehensive income (loss) before reclassifications             | 175.0                         | 5.5                                     | (64.0 )  | (9.1 )   | 107.4  |
| Less: amounts reclassified from accumulated other comprehensive income | 4.9                           | —                                       | —  | 0.9  | 5.8  |
| Net current period other comprehensive income (loss)                   | 179.9                         | 5.5                                     | (64.0 )  | (8.2 )   | 113.2  |
| Balance at September 30, 2017 <sup>(1)</sup>                           | \$ (96.8 )                    | \$ (696.4 )                             | \$ (43.0 )   | \$ 0.3   | \$ (835.9 )  |
| Balance at December 31, 2017   | \$ (103.4 )                   | \$ (694.4 )                             | \$ (46.8 )   | \$ (0.3 )  | \$ (844.9 )  |
| Other comprehensive income (loss) before reclassifications             | 1.7                           | (40.6 )                                 | 9.1  | 1.9  | (27.9 )  |
| Less: amounts reclassified from accumulated other comprehensive income | 1.6                           | —                                       | —  | 0.5  | 2.1  |
| Net current period other comprehensive income (loss)                   | 3.3                           | (40.6 )                                 | 9.1  | 2.4  | (25.8 )  |
| Balance at September 30, 2018 <sup>(1)</sup>                           | \$ (100.1 )                   | \$ (735.0 )                             | \$ (37.7 )   | \$ 2.1   | \$ (870.7 )  |

The ending balance in AOCI includes gains and losses on intra-entity foreign currency transactions. The

<sup>(1)</sup> intra-entity currency translation adjustment was \$63.6 million and \$(52.2) million as of September 30, 2018 and 2017, respectively.

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

| (In millions)   | Three Months<br>Ended<br>September<br>30, |                     | Nine Months<br>Ended<br>September 30, |                     | Location of Amount<br>Reclassified from AOCI          |
|---|---|---------------------|---------------------------------------|---------------------|---|
|   | 2018 <sup>(1)</sup>                       | 2017 <sup>(1)</sup> | 2018 <sup>(1)</sup>                   | 2017 <sup>(1)</sup> |   |
| Defined benefit pension plans and other post-employment benefits: |   |                     |                                       |                     |   |
| Prior service costs   | \$—                                       | \$ 0.4              | \$ 0.2                                | \$ 1.3              |   |
| Actuarial losses  | (0.9 )                                    | (2.8 )              | (2.5 )                                | (8.3 )              |   |
| Total pre-tax amount  | (0.9 )                                    | (2.4 )              | (2.3 )                                | (7.0 )              | Other (expense) income, net                           |
| Tax benefit   | 0.3                                       | 1.0                 | 0.7                                   | 2.1                 |   |
| Net of tax  | (0.6 )                                    | (1.4 )              | (1.6 )                                | (4.9 )              |   |
| Net gains (losses) on cash flow hedging derivatives:              |   |                     |                                       |                     |   |
| Foreign currency forward contracts                                | 1.1                                       | (0.1 )              | (0.7 )                                | 1.8                 | <sup>(2)</sup> Other (expense) income, net            |
| Interest rate and currency swaps                                  | —   | (2.3 )              | —                                     | (3.4 )              | Interest expense, net and Other (expense) income, net |
| Treasury locks  | —   | —                   | 0.1                                   | 0.1                 | <sup>(2)</sup> Interest expense, net                  |
| Total pre-tax amount  | 1.1                                       | (2.4 )              | (0.6 )                                | (1.5 )              |   |
| Tax benefit (expense)   | (0.3 )                                    | 0.8                 | 0.1                                   | 0.6                 |   |
| Net of tax  | 0.8                                       | (1.6 )              | (0.5 )                                | (0.9 )              |   |
| Total reclassifications for the period                            | \$0.2                                     | \$(3.0 )            | \$(2.1 )                              | \$(5.8 )            |   |

<sup>(1)</sup> Amounts in parenthesis indicate changes to earnings (loss).

These accumulated other comprehensive components are included in our derivative and hedging activities. See

<sup>(2)</sup> Note 12, "Derivatives and Hedging Activities," of the Notes to Consolidated Financial Statements for additional details.

#### Note 19 Other (Expense) Income, Net

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

| (In millions)   | Three Months<br>Ended<br>September 30, |          | Nine Months<br>Ended<br>September 30, |         |
|---|--|----------|---------------------------------------|---------|
|   | 2018                                   | 2017     | 2018                                  | 2017    |
| Net foreign exchange transaction loss                               | \$(4.2)                                | \$(0.3 ) | \$(17.9)                              | \$(7.8) |
| Bank fee expense  | (1.6 )                                 | (1.4 )   | (4.0 )                                | (4.6 )  |
| Net gain (loss) on disposals of business and property and equipment | (1.6 )                                 | (0.9 )   | (1.0 )                                | 1.3     |
| Pension income other than service costs                             | 0.5                                    | 14.5     | 5.7                                   | 15.9    |
| Other, net  | (2.5 )                                 | (0.1 )   | (3.1 )                                | (0.1 )  |
| Other (expense) income, net   | \$(9.4)                                | \$11.8   | \$(20.3)                              | \$4.7   |

## Note 20 Net Earnings (Loss) Per Common Share

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

|  | Three Months<br>Ended<br>September 30, |         | Nine Months<br>Ended<br>September 30, |         |
|--|--|---------|---------------------------------------|---------|
|  | 2018                                   | 2017    | 2018                                  | 2017    |
| (In millions, except per share amounts)  |  |         |                                       |         |
| Basic Net Earnings (Loss) Per Common Share:  |  |         |                                       |         |
| Numerator:   |  |         |                                       |         |
| Net earnings (loss)  | \$79.0                                 | \$787.5 | \$(7.2 )                              | \$848.4 |
| Distributed and allocated undistributed net earnings to unvested restricted stockholders | (0.4 )                                 | (5.0 )  | (0.4 )                                | (5.3 )  |
| Distributed and allocated undistributed net earnings (loss)                              | 78.6                                   | 782.5   | (7.6 )                                | 843.1   |
| Distributed net earnings - dividends paid to common stockholders                         | (25.0 )                                | (30.1 ) | (76.9 )                               | (91.5 ) |
| Allocation of undistributed net earnings (loss) to common stockholders                   | \$53.6                                 | \$752.4 | \$(84.5)                              | \$751.6 |
| Denominator:   |  |         |                                       |         |
| Weighted average number of common shares outstanding - basic                             | 157.2                                  | 186.9   | 160.8                                 | 190.9   |
| Basic net earnings per common share:   |  |         |                                       |         |
| Distributed net earnings   | \$0.16                                 | \$0.16  | \$0.48                                | \$0.48  |
| Allocated undistributed net earnings (loss) to common stockholders                       | 0.34                                   | 4.03    | (0.53 )                               | 3.94    |
| Basic net earnings (loss) per common share   | \$0.50                                 | \$4.19  | \$(0.05)                              | \$4.42  |
| Diluted Net Earnings (Loss) Per Common Share:  |  |         |                                       |         |
| Numerator:   |  |         |                                       |         |
| Distributed and allocated undistributed net earnings (loss)                              | \$78.6                                 | \$782.5 | \$(7.6 )                              | \$843.1 |
| Add: Allocated undistributed net earnings to unvested restricted stockholders            | 0.3                                    | 4.8     | —                                     | 4.8     |
| Less: Undistributed net earnings reallocated to unvested restricted stockholders         | (0.3 )                                 | (4.8 )  | —                                     | (4.8 )  |
| Net earnings (loss) available to common stockholders - diluted                           | \$78.6                                 | \$782.5 | \$(7.6 )                              | \$843.1 |
| Denominator:   |  |         |                                       |         |
| Weighted average number of common shares outstanding - basic                             | 157.2                                  | 186.9   | 160.8                                 | 190.9   |
| Effect of contingently issuable shares   | 0.1                                    | 0.7     | —                                     | 0.7     |
| Effect of unvested restricted stock units  | 0.3                                    | 0.7     | —                                     | 0.7     |
| Weighted average number of common shares outstanding - diluted under two-class           | 157.6                                  | 188.3   | 160.8                                 | 192.3   |
| Effect of unvested restricted stock - participating security                             | 0.4                                    | 0.6     | —                                     | 0.6     |
| Weighted average number of common shares outstanding - diluted under treasury stock      | 158.0                                  | 188.9   | 160.8                                 | 192.9   |
| Diluted net earnings (loss) per common share   | \$0.50                                 | \$4.15  | \$(0.05)                              | \$4.37  |

## 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 2017 Form 10-K and our Consolidated Financial Statements and related notes set forth in Item 8 of Part II of our 2017 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 nine months ended September 30, 2018 and 2017:

| (In millions, except per share amounts)                                 | Three Months Ended<br>September 30, |           |        | % | Nine Months Ended<br>September 30, |           |        | % |
|---|-------------------------------------|-----------|--------|---|------------------------------------|-----------|--------|---|
|   | 2018                                | 2017      | Change |   | 2018                               | 2017      | Change |   |
| Net sales   | \$1,186.2                           | \$1,131.3 | 4.9    | % | \$3,472.4                          | \$3,233.8 | 7.4    | % |
| Gross profit  | \$365.5                             | \$360.7   | 1.3    | % | 1,103.0                            | \$1,039.6 | 6.1    | % |
| As a % of net sales   | 30.8                                | % 31.9    | %      |   | 31.8                               | % 32.1    | %      |   |
| Operating profit  | \$163.2                             | \$143.5   | 13.7   | % | \$490.9                            | \$413.0   | 18.9   | % |
| As a % of net sales   | 13.8                                | % 12.7    | %      |   | 14.1                               | % 12.8    | %      |   |
| Net earnings (loss) from continuing operations                          | \$75.6                              | \$62.5    | 21.0   | % | \$(49.1)                           | ) \$37.8  | #      |   |
| Gain on sale of discontinued operations, net of tax                     | 3.4                                 | 699.3     | (99.5) | % | 41.9                               | 699.3     | (94.0) | % |
| Net earnings from discontinued operations, net of tax                   | —                                   | 25.7      | #      |   | —                                  | 111.3     | #      |   |
| Net earnings (loss)   | \$79.0                              | \$787.5   | (90.0) | % | \$(7.2)                            | ) \$848.4 | #      |   |
| Basic:  |                                     |           |        |   |                                    |           |        |   |
| Continuing operations   | \$0.48                              | \$0.33    | 45.5   | % | \$(0.31)                           | ) \$0.20  | #      |   |
| Discontinued operations   | 0.02                                | 3.86      | (99.5) | % | 0.26                               | 4.22      | (93.8) | % |
| Net earnings (loss) per common share - basic                            | \$0.50                              | \$4.19    | (88.1) | % | \$(0.05)                           | ) \$4.42  | #      |   |
| Diluted:  |                                     |           |        |   |                                    |           |        |   |
| Continuing operations   | \$0.48                              | \$0.33    | 45.5   | % | \$(0.31)                           | ) \$0.19  | #      |   |
| Discontinued operations   | 0.02                                | 3.82      | (99.5) | % | 0.26                               | 4.18      | (93.8) | % |
| Net earnings (loss) per common share - diluted                          | \$0.50                              | \$4.15    | (88.0) | % | \$(0.05)                           | ) \$4.37  | #      |   |
| Weighted average numbers of common shares outstanding:                  |                                     |           |        |   |                                    |           |        |   |
| Basic   | 157.2                               | 186.9     |        |   | 160.8                              | 190.9     |        |   |
| Diluted   | 158.0                               | 188.9     |        |   | 160.8                              | 192.9     |        |   |
| Non-U.S. GAAP Adjusted EBITDA from continuing operations <sup>(1)</sup> | \$218.9                             | \$216.8   | 1.0    | % | \$641.2                            | \$595.0   | 7.8    | % |
| Non-U.S. GAAP Adjusted EPS from continuing operations <sup>(2)</sup>    | \$0.61                              | \$0.46    | 32.6   | % | \$1.76                             | \$1.24    | 41.9   | % |

#Denotes a variance greater than or equal to 100%, or not meaningful.

(1) See Note 5, "Segments," of the Notes to Condensed Consolidated Financial Statements for a reconciliation of net earnings (loss) from continuing operations to non-U.S. GAAP Adjusted EBITDA from continuing operations.



- (2) See “Diluted Net Earnings (Loss) per Common Share” for a reconciliation of our EPS from continuing operations to our non-U.S. GAAP adjusted EPS from continuing operations.

Diluted Net Earnings (Loss) per Common Share

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

|   | Three Months Ended<br>September 30,<br>2018 |                | 2017            |                | Nine Months Ended<br>September 30,<br>2018 |                | 2017            |                |
|---|---|----------------|-----------------|----------------|--|----------------|-----------------|----------------|
|   | Net<br>Earnings                             | Diluted<br>EPS | Net<br>Earnings | Diluted<br>EPS | Net<br>Earnings                            | Diluted<br>EPS | Net<br>Earnings | Diluted<br>EPS |
| (In millions, except per share data)  |   |                |                 |                |  |                |                 |                |
| U.S. GAAP net earnings (loss) and diluted EPS from continuing operations <sup>(1)</sup> | \$75.6                                      | \$ 0.48        | \$62.5          | \$ 0.33        | \$(49.1)                                   | \$(0.31)       | \$37.8          | \$ 0.19        |
| Special Items <sup>(2)</sup>  | 20.5  | 0.13           | 24.1            | 0.13           | 333.0                                      | 2.07           | 201.7           | 1.05           |
| Non-U.S. GAAP adjusted net earnings and adjusted diluted EPS from continuing operations | \$96.1                                      | \$ 0.61        | \$86.6          | \$ 0.46        | \$283.9                                    | \$ 1.76        | \$239.5         | \$ 1.24        |
| Weighted average number of common shares outstanding - Diluted                          |   | 158.0          |                 | 188.9          |  | 160.8          |                 | 192.9          |

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

(2) Special Items include the following:

|   | Three Months<br>Ended<br>September 30,<br>2018 |          | Nine Months<br>Ended<br>September 30,<br>2017 |           |
|---|--|----------|---|-----------|
|   | 2018   | 2017     | 2018  | 2017      |
| (In millions, except per share data)  |  |          |   |           |
| Special Items:  |  |          |   |           |
| Restructuring and other charges   | \$(6.6)  | \$(6.2)  | \$(22.3)                                      | \$(9.2)   |
| Other restructuring associated costs  | (0.7)  | (2.9)    | (2.5)   | (12.7)    |
| Debt modification/extinguishment costs  | (1.5)  | —        | (1.9)   | —         |
| Charges related to acquisition and divestiture activity                       | (4.8)  | (6.7)    | (10.0)  | (4.8)     |
| Charges incurred due to the sale of Diversey                                  | (8.7)  | (13.7)   | (21.3)  | (47.6)    |
| Gain from class-action litigation settlement                                  | —  | —        | 12.6  | —         |
| Settlement/curtailment benefits related to retained Diversey retirement plans | —  | 13.5     | —   | 13.5      |
| Other Special Items <sup>(i)</sup>  | (1.8)  | (2.8)    | (3.3)   | (0.2)     |
| Pre-tax impact of Special Items   | (24.1)   | (18.8)   | (48.7)  | (61.0)    |
| Tax impact of Special Items and Tax Special Items <sup>(ii)</sup>             | 3.6  | (5.3)    | (284.3)                                       | (140.7)   |
| Net impact of Special Items   | \$(20.5)                                       | \$(24.1) | \$(333.0)                                     | \$(201.7) |
| Weighted average number of common shares outstanding - Diluted                | 158.0  | 188.9    | 160.8   | 192.9     |
| Loss per share impact from Special Items                                      | \$(0.13)                                       | \$(0.13) | \$(2.07)                                      | \$(1.05)  |

(i) Other Special Items for the three and nine months ended September 30, 2018, primarily included fees related to professional services. Other Special Items for the three and nine months ended September 30, 2017, primarily included transaction fees related to various divestitures and acquisitions.

(ii) Refer to Note 1 to the table below for a description of Special Items related to tax.

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





| (In millions)  | Three Months                   |          | Nine Months                    |          |
|--|--------------------------------|----------|--------------------------------|----------|
|  | Ended<br>September 30,<br>2018 | 2017     | Ended<br>September 30,<br>2018 | 2017     |
| U.S. GAAP Earnings before income tax provision from continuing operations              | \$ 109.0                       | \$ 106.2 | \$ 339.3                       | \$ 274.3 |
| Pre-tax impact of Special Items  | 24.1                           | 18.8     | 48.7                           | 61.0     |
| Non-U.S. GAAP Adjusted Earnings before income tax provision from continuing operations | \$ 133.1                       | \$ 125.0 | \$ 388.0                       | \$ 335.3 |
| U.S. GAAP Income tax provision from continuing operations                              | \$ 33.4                        | \$ 43.7  | \$ 388.4                       | \$ 236.5 |
| Tax Special Items <sup>(1)</sup>   | (1.1 )                         | (0.4 )   | (295.0 )                       | (150.3 ) |
| Tax impact of Special Items  | 4.7                            | (4.9 )   | 10.7                           | 9.6      |
| Non-U.S. GAAP Adjusted Income tax provision from continuing operations                 | \$ 37.0                        | \$ 38.4  | \$ 104.1                       | \$ 95.8  |
| U.S. GAAP Effective income tax rate  | 30.6 %                         | 41.1 %   | 114.5 %                        | 86.2 %   |
| Non-U.S. GAAP Adjusted income tax rate   | 27.8 %                         | 30.7 %   | 26.8 %                         | 28.6 %   |

For the nine months ended September 30, 2018, the Tax Special Items included \$290 million of provisional tax expense for one-time tax on unrepatriated foreign earnings pursuant to the TCJA. For the nine months ended <sup>(1)</sup>September 30, 2017, the Tax Special Items included \$145 million of tax expense recorded in accordance with the sale of Diversey. Refer to Note 15, "Income Taxes," of the Notes to Condensed Consolidated Financial Statements for additional information.

#### 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, Australian dollar, British pound, Mexican peso, New Zealand dollar, Argentine peso and Brazilian real. The following table presents the approximate favorable or (unfavorable) impact foreign currency translation had on some of our Condensed Consolidated Financial Results from continuing operations:

| (In millions)                                | Three      | Nine      |
|--|------------|-----------|
|  | Months     | Months    |
|  | Ended      | Ended     |
|  | September  | September |
|  | 30, 2018   | 30, 2018  |
| Net sales                                    | \$ (38.8 ) | \$ 4.4    |
| Cost of sales                                | 27.4       | (2.5 )    |
| Selling, general and administrative expenses | 4.1        | (3.7 )    |
| Net earnings                                 | (1.6 )     | 1.7       |
| Adjusted EBITDA                              | (7.1 )     | 0.6       |

#### Net Sales by Geographic Region

The following tables present the components of the change in net sales by geographic region for the three and nine months ended September 30, 2018 compared with 2017. 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" and the change in net

sales excluding acquisitions and divestitures and the impact of foreign currency translation, a non-U.S. GAAP measure, which we define as "organic." We believe using constant dollar and organic measures aids in the comparability between periods as it eliminates the volatility of changes in foreign currency exchange rates and eliminates large fluctuations due to acquisitions or divestitures.

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| (In millions)                                | Three Months Ended September 30, |         |         |         |               |          |         |         |           |         |
|--|----------------------------------|---------|---------|---------|---------------|----------|---------|---------|-----------|---------|
|  | North America                    |         | EMEA    |         | Latin America |          | APAC    |         | Total     |         |
| 2017 Net Sales                               | \$623.2                          | 55.1 %  | \$247.9 | 21.9 %  | \$101.4       | 9.0 %    | \$158.8 | 14.0 %  | \$1,131.3 |         |
| Volume - Units                               | (4.4 )                           | (0.7 )% | 4.0     | 1.6 %   | 7.5           | 7.4 %    | 3.8     | 2.4 %   | 10.9      | 1.0 %   |
| Price/mix <sup>(1)</sup>                     | 23.1                             | 3.7 %   | 1.5     | 0.6 %   | 16.1          | 15.9 %   | (0.3 )  | (0.2 )% | 40.4      | 3.6 %   |
| Total organic change (non-U.S. GAAP)         | 18.7                             | 3.0 %   | 5.5     | 2.2 %   | 23.6          | 23.3 %   | 3.5     | 2.2 %   | 51.3      | 4.6 %   |
| Acquisition                                  | 17.0                             | 2.7 %   | —       | — %     | 0.5           | 0.5 %    | 24.9    | 15.7 %  | 42.4      | 3.7 %   |
| Total constant dollar change (non-U.S. GAAP) | 35.7                             | 5.7 %   | 5.5     | 2.2 %   | 24.1          | 23.8 %   | 28.4    | 17.9 %  | 93.7      | 8.3 %   |
| Foreign currency translation                 | (1.4 )                           | (0.2 )% | (6.2 )  | (2.5 )% | (23.6 )       | (23.3 )% | (7.6 )  | (4.8 )% | (38.8 )   | (3.4 )% |
| Total change (U.S. GAAP)                     | 34.3                             | 5.5 %   | (0.7 )  | (0.3 )% | 0.5           | 0.5 %    | 20.8    | 13.1 %  | 54.9      | 4.9 %   |
| 2018 Net Sales                               | \$657.5                          | 55.4 %  | \$247.2 | 20.8 %  | \$101.9       | 8.6 %    | \$179.6 | 15.1 %  | \$1,186.2 |         |
| (In millions)                                | Nine Months Ended September 30,  |         |         |         |               |          |         |         |           |         |
|  | North America                    |         | EMEA    |         | Latin America |          | APAC    |         | Total     |         |
| 2017 Net Sales                               | \$1,777.9                        | 55.0%   | \$706.7 | 21.9%   | \$294.2       | 9.1 %    | \$455.0 | 14.1 %  | \$3,233.8 |         |
| Volume - Units                               | (0.7 )                           | — %     | 14.8    | 2.1 %   | 25.2          | 8.6 %    | 9.9     | 2.2 %   | 49.2      | 1.5 %   |
| Price/mix <sup>(1)</sup>                     | 66.8                             | 3.8 %   | 8.4     | 1.2 %   | 23.7          | 8.1 %    | (1.1 )  | (0.2 )% | 97.8      | 3.0 %   |
| Total organic change (non-U.S. GAAP)         | 66.1                             | 3.8 %   | 23.2    | 3.3 %   | 48.9          | 16.7 %   | 8.8     | 2.0 %   | 147.0     | 4.5 %   |
| Acquisitions                                 | 20.8                             | 1.2 %   | —       | — %     | 1.4           | 0.5 %    | 65.0    | 14.3 %  | 87.2      | 2.7 %   |
| Total constant dollar change (non-U.S. GAAP) | 86.9                             | 5.0 %   | 23.2    | 3.3 %   | 50.3          | 17.2 %   | 73.8    | 16.3 %  | 234.2     | 7.2 %   |
| Foreign currency translation                 | 1.7                              | 0.1 %   | 37.0    | 5.2 %   | (36.8 )       | (12.5 )% | 2.5     | 0.5 %   | 4.4       | 0.1 %   |
| Total change (U.S. GAAP)                     | 88.6                             | 5.1 %   | 60.2    | 8.5 %   | 13.5          | 4.7 %    | 76.3    | 16.8 %  | 238.6     | 7.3 %   |
| 2018 Net Sales                               | \$1,866.5                        | 53.8%   | \$766.9 | 22.1%   | \$307.7       | 8.9 %    | \$531.3 | 15.3 %  | \$3,472.4 |         |

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.

## Net Sales by Segment

The following tables present the components of change in net sales by reportable segment for the three and nine months ended September 30, 2018 compared with 2017. 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" and the change in net sales excluding acquisitions and divestitures and the impact of foreign currency translation, a non-U.S. GAAP measure, which we define as "organic." We believe using constant dollar and organic measures aids in the comparability between periods as it eliminates the volatility of changes in foreign currency exchange rates and eliminates large fluctuations due to acquisitions or divestitures.

| (In millions)                                | Three Months Ended September 30, |            |               |            |               |        |
|--|----------------------------------|------------|---------------|------------|---------------|--------|
|  | Food Care                        |            | Product Care  |            | Total Company |        |
| 2017 Net Sales                               | \$716.0                          | 63.3 %     | \$415.3       | 36.7 %     | \$1,131.3     |        |
| Volume - Units                               | 19.2                             | 2.7 %      | (8.3 )        | (2.0 )%    | 10.9          | 1.0 %  |
| Price/mix <sup>(1)</sup>                     | 25.1                             | 3.5 %      | 15.3          | 3.7 %      | 40.4          | 3.6 %  |
| Total organic change (non-U.S. GAAP)         | 44.3                             | 6.2 %      | 7.0           | 1.7 %      | 51.3          | 4.6 %  |
| Acquisition                                  | —                                | — %        | 42.4          | 10.2 %     | 42.4          | 3.7 %  |
| Total constant dollar change (non-U.S. GAAP) | 44.3                             | 6.2 %      | 49.4          | 11.9 %     | 93.7          | 8.3 %  |
| Foreign currency translation                 | (33.1 )                          | (4.6 )%    | (5.7 )        | (1.4 )%    | (38.8 )       | (3.4)% |
| Total change (U.S. GAAP)                     | 11.2                             | 1.6 %      | 43.7          | 10.5 %     | 54.9          | 4.9 %  |
| <br>2018 Net Sales                           | <br>\$727.2                      | <br>61.3 % | <br>\$459.0   | <br>38.7 % | <br>\$1,186.2 |        |
| (In millions)                                | Nine Months Ended September 30,  |            |               |            |               |        |
|  | Food Care                        |            | Product Care  |            | Total Company |        |
| 2017 Net Sales                               | \$2,051.1                        | 63.4 %     | \$1,182.7     | 36.5 %     | \$3,233.8     |        |
| Volume - Units                               | 45.2                             | 2.2 %      | 4.0           | 0.3 %      | 49.2          | 1.5 %  |
| Price/mix <sup>(1)</sup>                     | 53.0                             | 2.6 %      | 44.8          | 3.8 %      | 97.8          | 3.0 %  |
| Total organic change (non-U.S. GAAP)         | 98.2                             | 4.8 %      | 48.8          | 4.1 %      | 147.0         | 4.5 %  |
| Acquisitions                                 | —                                | — %        | 87.2          | 7.4 %      | 87.2          | 2.7 %  |
| Total constant dollar change (non-U.S. GAAP) | 98.2                             | 4.8 %      | 136.0         | 11.5 %     | 234.2         | 7.2 %  |
| Foreign currency translation                 | (12.8 )                          | (0.6 )%    | 17.2          | 1.5 %      | 4.4           | 0.1 %  |
| Total change (U.S. GAAP)                     | 85.4                             | 4.2 %      | 153.2         | 13.0 %     | 238.6         | 7.3 %  |
| <br>2018 Net Sales                           | <br>\$2,136.5                    | <br>61.5 % | <br>\$1,335.9 | <br>38.5 % | <br>\$3,472.4 |        |

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 September 30, 2018 Compared With the Same Period of 2017

As reported, net sales increased \$11 million, or 1% in 2018 compared with 2017. On a constant dollar basis, net sales increased \$44 million, or 6% in 2018 compared with 2017 primarily due to the following:

favorable price/mix of \$25 million, primarily in Latin America and North America; and higher unit volumes of \$19 million across all regions.



### Nine Months Ended September 30, 2018 Compared With the Same Period of 2017

As reported, net sales increased \$85 million, or 4%, in 2018 compared to 2017. On a constant dollar basis, net sales increased \$98 million, or 5%, in 2018 compared with 2017 primarily due to the following:

• favorable price/mix of \$53 million, primarily in North America and Latin America; and  
 • higher unit volumes of \$45 million across all regions.

### Product Care

#### Three Months Ended September 30, 2018 Compared With the Same Period of 2017

As reported, net sales increased \$44 million, or 11%, in 2018 as compared to 2017. On a constant dollar basis, net sales increased \$49 million, or 12%, in 2018 compared with 2017 primarily due to the following:

• \$42 million related to an increase in sales due to the acquisitions of Fagerdala and AFP; and  
 • favorable price/mix of \$15 million, primarily in North America.

These were partially offset by:

• lower unit volumes of \$8 million.

#### Nine Months Ended September 30, 2018 Compared With the Same Period of 2017

As reported, net sales increased \$153 million, or 13%, in 2018 as compared to 2017. On a constant dollar basis, net sales increased \$136 million, or 12%, in 2018 compared with 2017 primarily due to the following:

• \$87 million related to an increase in sales due to the acquisitions of Fagerdala and AFP;  
 • favorable price/mix of \$45 million, primarily in North America; and  
 • higher unit volumes of \$10 million across EMEA, Latin America and APAC.

These were partially offset by:

• lower unit volumes of \$6 million in North America.

### Cost of Sales

Cost of sales for the three and nine months ended September 30, 2018 and 2017 were as follows:

| (In millions)       | Three Months Ended<br>September 30, |           |        | Nine Months Ended<br>September 30, |           |        |
|---------------------|-------------------------------------|-----------|--------|------------------------------------|-----------|--------|
|                     | 2018                                | 2017      | Change | 2018                               | 2017      | Change |
| Net sales           | \$1,186.2                           | \$1,131.3 | 4.9 %  | \$3,472.4                          | \$3,233.8 | 7.4 %  |
| Cost of sales       | 820.7                               | 770.6     | 6.5 %  | 2,369.4                            | 2,194.2   | 8.0 %  |
| As a % of net sales | 69.2                                | % 68.1    | %      | 68.2                               | % 67.9    | %      |

#### Three Months Ended September 30, 2018 Compared With the Same Period of 2017

As reported, cost of sales increased by \$50 million, or 7%, in 2018 as compared to 2017. Cost of sales was impacted by favorable foreign currency translation of \$27 million. On a constant dollar basis, cost of sales increased \$77 million, or 10%, primarily due to higher raw material costs on increased sales volumes, freight costs and operational investments to support growth.

#### Nine Months Ended September 30, 2018 Compared With the Same Period of 2017

As reported, cost of sales increased by \$175 million, or 8%, in 2018 as compared to 2017. Cost of sales was impacted by unfavorable foreign currency translation of \$2 million. On a constant dollar basis, cost of sales increased \$173 million, or 8%, primarily due to higher raw material costs on increased sales volumes, freight costs and operational investments to support growth.

## Selling, General and Administrative Expenses

Selling, general and administrative expenses (SG&A) for the three and nine months ended September 30, 2018 and 2017 are included in the table below.

|  | Three Months             |         |          | Nine Months              |         |          |
|--|--------------------------|---------|----------|--------------------------|---------|----------|
|  | Ended September 30, 2018 | 2017    | % Change | Ended September 30, 2018 | 2017    | % Change |
| (In millions)                                |                          |         |          |                          |         |          |
| Selling, general and administrative expenses | \$192.1                  | \$207.9 | (7.6)%   | \$578.9                  | \$608.2 | (4.8)%   |
| As a % of net sales                          | 16.2 %                   | 18.4 %  |          | 16.7 %                   | 18.8 %  |          |

## Three Months Ended September 30, 2018 Compared With the Same Period of 2017

As reported, SG&A expenses decreased by \$16 million, or 8%, in 2018 as compared to 2017. SG&A expenses were impacted by favorable foreign currency translation of \$4 million. On a constant dollar basis, SG&A expenses decreased \$12 million, or 6%. This is primarily driven by higher costs in the prior year due to the sale of Diversey as well as actions to address stranded costs.

## Nine Months Ended September 30, 2018 Compared With the Same Period of 2017

As reported, SG&A expenses decreased by \$29 million, or 5%, in 2018 as compared to 2017. SG&A expenses were impacted by unfavorable foreign currency translation of \$4 million. On a constant dollar basis, SG&A expenses decreased \$33 million, or 5%. This is primarily driven by higher costs in the prior year due to the sale of Diversey as well as actions to address stranded costs.

## Amortization Expense of Intangible Assets Acquired

Amortization expense of intangible assets acquired for the three and nine months ended September 30, 2018 and 2017 were as follows:

|  | Three Months             |       |          | Nine Months              |       |          |
|--|--------------------------|-------|----------|--------------------------|-------|----------|
|  | Ended September 30, 2018 | 2017  | % Change | Ended September 30, 2018 | 2017  | % Change |
| (In millions)                                      |                          |       |          |                          |       |          |
| Amortization expense of intangible assets acquired | \$3.6                    | \$3.1 | 16.1 %   | \$10.9                   | \$9.2 | 18.5 %   |
| As a % of net sales                                | 0.3 %                    | 0.3 % |          | 0.3 %                    | 0.3 % |          |

The increase in amortization expense of intangibles for the three and nine months ended September 30, 2018 was primarily related to the acquisition of Fagerdala.

## Restructuring Activities

See Note 10, "Restructuring Activities," of the Notes to Condensed Consolidated Financial Statements 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 nine months ended September 30, 2018.

As reported in our 2017 Form 10-K, our December 2011 Integration and Optimization Program ("IOP") and the May 2013 Earnings Quality Improvement Program ("EQIP") are substantially complete. 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 Program is estimated to generate incremental cost savings of \$130 million to \$150 million per annum (which includes approximately \$90 million related to Sealed Air's continuing operations) by the end of 2020, compared with the savings run rate achieved by the end of 2015. To date, Sealed Air has recognized \$65 million of savings included

in continuing operations. The Company expects to achieve approximately \$40 million of savings in continuing operations in 2018.



For the three and nine months ended September 30, 2018, the Program generated cost savings of \$11 million and \$31 million, respectively, primarily in selling, general and administration expenses.

Additionally, the Program is expected to generate one-time cash benefits of approximately \$70 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.

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, net

Interest expense, net includes the stated interest rate on our outstanding debt, as well as the net impact of capitalized interest, interest income, 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, net for the three and nine months ended September 30, 2018 and 2017 was as follows:

| (In millions)  | Three Months Ended September 30, |        |          | Nine Months Ended September 30, |         |          |
|--|----------------------------------|--------|----------|---------------------------------|---------|----------|
|  | 2018                             | 2017   | Change   | 2018                            | 2017    | Change   |
| Interest expense on our various debt instruments:      |                                  |        |          |                                 |         |          |
| Term Loan A due July 2017                              | \$—                              | \$0.5  | \$(0.5 ) | \$—                             | \$3.6   | \$(3.6 ) |
| Term Loan A due July 2023 <sup>(1)</sup>               | 2.1                              | 5.8    | (3.7 )   | 6.8                             | 16.7    | (9.9 )   |
| Revolving credit facility due July 2023 <sup>(1)</sup> | 0.4                              | 0.6    | (0.2 )   | 1.6                             | 1.8     | (0.2 )   |
| 6.50% Senior Notes due December 2020                   | 7.1                              | 7.1    | —        | 21.1                            | 21.0    | 0.1      |
| 4.875% Senior Notes due December 2022                  | 5.4                              | 5.4    | —        | 16.1                            | 16.1    | —        |
| 5.25% Senior Notes due April 2023                      | 5.8                              | 5.8    | —        | 17.3                            | 17.3    | —        |
| 4.50% Senior Notes due September 2023                  | 5.4                              | 5.5    | (0.1 )   | 16.5                            | 15.5    | 1.0      |
| 5.125% Senior Notes due December 2024                  | 5.6                              | 5.6    | —        | 16.8                            | 16.7    | 0.1      |
| 5.50% Senior Notes due September 2025                  | 5.6                              | 5.6    | —        | 16.8                            | 16.7    | 0.1      |
| 6.875% Senior Notes due July 2033                      | 7.8                              | 7.8    | —        | 23.3                            | 23.3    | —        |
| Other interest expense                                 | 3.9                              | 4.3    | (0.4 )   | 12.6                            | 8.0     | 4.6      |
| Less: capitalized interest                             | (1.3 )                           | —      | (1.3 )   | (5.0 )                          | (3.0 )  | (2.0 )   |
| Less: interest income                                  | (3.0 )                           | (4.9 ) | 1.9      | (12.6 )                         | (10.3 ) | (2.3 )   |
| Total  | \$44.8                           | \$49.1 | \$(4.3 ) | \$131.3                         | \$143.4 | \$(12.1) |

(1) On July 12, 2018, the Company and certain of its subsidiaries entered into the Third Amended and Restated Credit Agreement, see Note 11, "Debt and Credit Facilities," for further details.

#### Other (Expense) Income, Net

See Note 19, "Other (Expense) Income, Net," of the Notes to Condensed Consolidated Financial Statements for the components and discussion of other (expense) income, net.

#### Income Taxes

Our effective income tax rate for the three and nine months ended September 30, 2018 was 30.6% and 114.5%, respectively. The difference between the Company's effective income tax rate and the U.S. statutory rate of 21% relates to the provisional amount for Transition Tax associated with the TCJA, non-deductible expenses, state income taxes, and the effect of the global intangible low-taxed income ("GILTI") provision enacted as part of the TCJA. Tax expense reflects \$290 million of



discrete expense for the provisional tax estimate under SAB 118 related to the one-time mandatory tax on previously deferred foreign earnings of U.S subsidiaries under TCJA. The 2018 effective tax rate includes the benefit of a lower U.S. corporate income tax rate of 21% partially offset by a new minimum tax on certain non-U.S. earnings. The Company expects its effective tax rate related to continuing operations for the remainder of 2018 to be approximately 29% based on its projected mix of earnings, although the actual effective tax rate could vary from the anticipated rate as a result of many factors, including but not limited to the following:

- The actual mix of earnings by jurisdiction could fluctuate from the Company’s projection;
- The tax effects of other discrete items, including accruals related to tax contingencies, the resolution of worldwide tax matters, tax audit settlements, statute of limitations expirations and changes in tax regulations, which are reflected in the period in which they occur; and
- Any future legislative changes or potential tax reform, the impact of future regulations and guidance implementing the TCJA and any related additional tax planning efforts to address these changes.

As a result of the uncertainty in predicting these items, it is possible that the actual effective tax rate used for financial reporting purposes will change in future periods.

Our effective income tax rate for the three and nine months ended September 30, 2017 was 41.1% and 86.2%, respectively. The effective income tax rate for the nine months ended September 30, 2017 was higher than our calculated interim rate primarily as a result of distributions of earnings which had previously been determined to be indefinitely reinvested in operations outside the United States. Our change in assertion for these investments was related to distributions in anticipation of the sale of Diversey.

Our effective income tax rate depends upon the realization of our net deferred tax assets. We have deferred tax assets related to accruals not yet deductible for tax purposes, state and foreign net operating loss carryforwards and investment tax allowances, employee benefit items, and other items.

The Internal Revenue Service (the “Service”) is currently auditing the 2011-2014 consolidated U.S. federal income tax returns of the Company. Included in the audit of the 2014 return is the examination by the Service with respect to the Settlement agreement deduction and the related carryback to tax years 2004-2012. The outcome of the examination may 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.

There was a negligible change in our valuation allowances for the nine months ended September 30, 2018.

We reported a net decrease in unrecognized tax benefits in the nine months ended September 30, 2018 of \$13 million primarily related to statute of limitations lapses in foreign jurisdictions. Interest and penalties on tax assessments are included in income tax expense.

#### Net Earnings (Loss) from Continuing Operations

Net earnings (loss) for the three and nine months ended September 30, 2018 and 2017 are included in the table below.

| Three<br>Months<br>Ended<br>September<br>30, | % | Nine Months<br>Ended<br>September 30, | % |
|--|---|---------------------------------------|---|
|--|---|---------------------------------------|---|

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(In millions)

|  | 2018   | 2017   | Change | 2018     | 2017   | Change   |
|--|--------|--------|--------|----------|--------|----------|
| Net earnings (loss) from continuing operations | \$75.6 | \$62.5 | 21.0 % | \$(49.1) | \$37.8 | (229.9)% |

Three Months Ended September 30, 2018 Compared With the Same Period of 2017

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For the three months ended September 30, 2018, net earnings was unfavorably impacted by \$21 million of Special Items. Special Items were primarily related to charges related to the sale of Diversey of \$9 million (\$7 million, net of taxes), restructuring and other restructuring associated costs of \$7 million (\$7 million, net of taxes) and losses related to acquisition and divestiture activities of \$5 million (\$4 million net of taxes).

For the three months ended September 30, 2017, net earnings was unfavorably impacted by \$24 million of Special Items. Special Items were primarily related to restructuring and other restructuring associated costs of \$9 million (\$7 million, net of taxes) and losses related to sale of various businesses and property and equipment of \$7 million (\$5 million net of taxes).

#### Nine Months Ended September 30, 2018 Compared With the Same Period of 2017

For the nine months ended September 30, 2018, net loss was unfavorably impacted by \$333 million of Special Items, including \$290 million of provisional tax expense for the one-time tax on unrepatriated foreign earnings pursuant to the TCJA. In addition, net loss was unfavorably impacted by Special Items expenses primarily related to restructuring and other restructuring associated costs of \$25 million (\$21 million, net of taxes), charges related to the sale of Diversey of \$21 million (\$16 million net of taxes) and losses related to acquisition and divestiture activities of \$10 million (\$8 million net of taxes), partially offset by gain on class-action litigation proceeds of \$13 million (\$10 million net of taxes).

For the nine months ended September 30, 2017, net earnings was unfavorably impacted by \$202 million of Special Items, including \$145 million of tax expense recorded related to the sale of Diversey. In addition, net earnings was unfavorably impacted by Special Items expenses primarily related to charges related to the sale of Diversey of \$34 million (\$22 million net of taxes) and restructuring and other restructuring associated costs of \$22 million (\$18 million, net of taxes) and losses related to sale of various businesses and property and equipment of \$5 million (\$3 million net of taxes).

#### Net Earnings from Discontinued Operations

See Note 4, “Discontinued Operations, Divestitures and Acquisitions,” of the Notes to Condensed Consolidated Financial Statements for the components and discussion of net earnings from discontinued operations.

#### Adjusted EBITDA by Segment

We allocate and disclose depreciation and amortization expense to our segments, although depreciation and amortization are not 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 they are 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 Corporate are the same as those applied to the Condensed Consolidated Financial Statements. Refer to "Non-U.S. GAAP Information" for additional details on the use and calculation of our non-U.S. GAAP measures presented below.

See Note 5, “Segments,” of the Notes to Condensed Consolidated Financial Statements for the reconciliation of U.S. GAAP net earnings (loss) from continuing operations to non-U.S. GAAP Adjusted EBITDA and other segment details.

|                        | Three Months  |               |         | Nine Months   |               |         |
|------------------------|---------------|---------------|---------|---------------|---------------|---------|
|                        | Ended         |               | %       | Ended         |               | %       |
| (In millions)          | September 30, | September 30, | Change  | September 30, | September 30, | Change  |
| Food Care              | \$145.4       | \$139.6       | 4.2 %   | \$415.5       | \$393.4       | 5.6 %   |
| Adjusted EBITDA Margin | 20.0 %        | 19.5 %        |         | 19.4 %        | 19.2 %        |         |
| Product Care           | 76.4          | 77.9          | (1.9 )% | 233.3         | 210.6         | 10.8 %  |
| Adjusted EBITDA Margin | 16.6 %        | 18.8 %        |         | 17.5 %        | 17.8 %        |         |
| Corporate              | (2.9 )        | (0.7 )        | 314.3 % | (7.6 )        | (9.0 )        | (15.6)% |
|                        | \$218.9       | \$216.8       | 1.0 %   | \$641.2       | \$595.0       | 7.8 %   |

Non-U.S. GAAP Total Company Adjusted EBITDA  
from continuing operations

Adjusted EBITDA Margin 18.5 % 19.2 % 18.5 % 18.4 %

The following is a discussion of the factors that contributed to the change in Adjusted EBITDA by segment in the three and nine months ended September 30, 2018 as compared with the prior period.

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#### Food Care

##### Three Months Ended September 30, 2018 Compared With the Same Period of 2017

On a reported basis, Adjusted EBITDA increased \$6 million in 2018 as compared to the same period in 2017. Adjusted EBITDA was impacted by unfavorable foreign currency translation of less than \$8 million. On a constant dollar basis, Adjusted EBITDA increased \$13 million, or 10%, in 2018 compared with the same period in 2017 primarily due to the impact of:

- favorable mix and price/cost spread of \$11 million;
- restructuring savings of \$7 million; and
- positive volume trends of \$7 million.

These were partially offset by:

- higher non-material manufacturing costs and direct costs of \$12 million, including inflation and investments to support business growth.

##### Nine Months Ended September 30, 2018 Compared With the Same Period of 2017

On a reported basis, Adjusted EBITDA increased \$22 million in 2018 as compared to the same period in 2017. Adjusted EBITDA was impacted by unfavorable foreign currency translation of \$5 million. On a constant dollar basis, Adjusted EBITDA increased \$27 million, or 7%, in 2018 compared with the same period in 2017 primarily due to the impact of:

- \$21 million of restructuring savings;
- favorable mix and price/cost spread of \$17 million; and
- positive volume trends of \$16 million.

These were partially offset by:

- higher non-material manufacturing costs and direct costs of \$27 million, including inflation and investments to support business growth.

#### Product Care

##### Three Months Ended September 30, 2018 Compared With the Same Period of 2017

On a reported basis, Adjusted EBITDA decreased \$2 million in 2018 as compared to the same period in 2017. Adjusted EBITDA was impacted by unfavorable foreign currency translation of less than \$1 million. On a constant dollar basis, Adjusted EBITDA decreased less than \$1 million, or 1%, in 2018 compared with the same period in 2017 primarily as a result of:

- higher costs of \$7 million primarily driven by higher non-material manufacturing costs and direct costs including inflation and investments to support business growth offset by income from the acquisition of Fagerdala and AFP; and
- lower volume of \$3 million.

These were partially offset by:

- favorable mix and price/cost spread of \$6 million; and
- restructuring savings of \$3 million.

##### Nine Months Ended September 30, 2018 Compared With the Same Period of 2017

On a reported basis, Adjusted EBITDA increased \$23 million in 2018 as compared to the same period in 2017. Adjusted EBITDA was impacted by favorable foreign currency translation of \$4 million. On a constant dollar basis, Adjusted EBITDA increased \$19 million, or 9%, in 2018 compared with the same period in 2017 primarily as a result of:

- favorable price/cost spread of \$15 million;
- \$10 million of restructuring savings; and
- positive volume trends of \$2 million.

This was partially offset by:

higher costs of \$8 million primarily driven by higher non-material manufacturing costs and direct costs including inflation and investments to support business growth offset by income from the acquisition of Fagerdala and AFP. Corporate

Three Months Ended September 30, 2018 Compared With the Same Period of 2017

The decrease in Corporate Adjusted EBITDA by \$2 million on an as reported basis and \$4 million on a constant dollar basis in the three months ended September 30, 2018 compared to the same period in 2017 was primarily driven by foreign currency losses.

Nine Months Ended September 30, 2018 Compared With the Same Period of 2017

Corporate Adjusted EBITDA increased by \$1 million on an as reported basis and was flat on a constant dollar basis in the nine months ended September 30, 2018 as compared with the same period in 2017.

Reconciliation of U.S. GAAP Net Earnings (Loss) from Continuing Operations to non-U.S. GAAP Total Company Adjusted EBITDA

| (In millions)   | Three Months Ended |                    | Nine Months Ended  |                    |
|---|--------------------|--------------------|--------------------|--------------------|
|   | September 30, 2018 | September 30, 2017 | September 30, 2018 | September 30, 2017 |
| Net earnings (loss) from continuing operations                                | \$75.6             | \$62.5             | \$(49.1)           | \$37.8             |
| Interest expense, net   | (44.8)             | (49.1)             | (131.3)            | (143.4)            |
| Income tax provision  | 33.4               | 43.7               | 388.4              | 236.5              |
| Depreciation and amortization <sup>(1)</sup>                                  | (41.1)             | (42.7)             | (122.3)            | (116.3)            |
| Depreciation and amortization adjustments                                     | 0.1                | —                  | 0.4                | —                  |
| Special Items:  |                    |                    |                    |                    |
| Restructuring and other charges <sup>(2)</sup>                                | (6.6)              | (6.2)              | (22.3)             | (9.2)              |
| Other restructuring associated costs  | (0.7)              | (2.9)              | (2.5)              | (12.7)             |
| Debt modification/extinguishment costs  | (1.5)              | —                  | (1.9)              | —                  |
| Charges related to acquisition and divestiture activity                       | (4.8)              | (6.7)              | (10.0)             | (4.8)              |
| Charges incurred due to the sale of Diversey                                  | (8.7)              | (13.7)             | (21.3)             | (47.6)             |
| Gain from class-action litigation settlement                                  | —                  | —                  | 12.6               | —                  |
| Settlement/curtailment benefits related to retained Diversey retirement plans | —                  | 13.5               | —                  | 13.5               |
| Other Special Items <sup>(3)</sup>  | (1.8)              | (2.8)              | (3.3)              | (0.2)              |
| Pre-tax impact of Special Items   | (24.1)             | (18.8)             | (48.7)             | (61.0)             |
| Non-U.S. GAAP Total Company Adjusted EBITDA from continuing operations        | \$218.9            | \$216.8            | \$641.2            | \$595.0            |

<sup>(1)</sup> Depreciation and amortization by segment is as follows:

| (In millions)  | Three Months Ended |                    | Nine Months Ended  |                    |
|--|--------------------|--------------------|--------------------|--------------------|
|  | September 30, 2018 | September 30, 2017 | September 30, 2018 | September 30, 2017 |
| Food Care  | \$25.6             | \$29.8             | \$79.8             | \$80.3             |
| Product Care   | 15.5               | 12.9               | 42.5               | 36.0               |
| Total Company depreciation and amortization <sup>(i)</sup> | \$41.1             | \$42.7             | \$122.3            | \$116.3            |

<sup>(i)</sup> Includes share-based incentive compensation of \$8 million and \$24 million for the three and nine months ended September 30, 2018, respectively, and \$12 million and \$31 million for three and nine months ended September 30,



2017, respectively.

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

| (In millions)                                 | Three Months Ended September 30, |       | Nine Months Ended September 30, |       |
|---|----------------------------------|-------|---------------------------------|-------|
|   | 2018                             | 2017  | 2018                            | 2017  |
| Food Care                                     | \$2.3                            | \$3.9 | \$8.4                           | \$5.8 |
| Product Care                                  | 4.3                              | 2.3   | 13.9                            | 3.4   |
| Total Company restructuring and other charges | \$6.6                            | \$6.2 | \$22.3                          | \$9.2 |

(3) Other Special Items for the three and nine months ended September 30, 2018, primarily included fees related to professional services. Other Special Items for the three and nine months ended September 30, 2017, primarily included transaction fees related to various divestitures and acquisitions.

## 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 Third Amended and Restated Credit Agreement, 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 service 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 September 30, 2018, we had cash and cash equivalents of \$191 million, of which approximately \$126 million, or 66%, was located outside of the U.S. As of September 30, 2017, we did not have any cash trapped outside of the U.S. 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. The Company does not expect that in the near term cash located outside of the U.S. will be needed to satisfy its obligations, dividends and other demands for cash in the U.S.

### Cash and Cash Equivalents

The following table summarizes our accumulated cash and cash equivalents:

| (In millions)             | September 30, 2018 | December 31, 2017 |
|---------------------------|--------------------|-------------------|
| Cash and cash equivalents | \$ 191.3           | \$ 594.0          |

See “Analysis of Historical Cash Flows” below.

### Accounts Receivable Securitization Programs

At September 30, 2018 we had \$146 million available to us under the U.S. and European programs of which we had \$84 million amounts outstanding under the European program. At December 31, 2017, we had \$156 million available to us under the programs of which we had no amounts outstanding. See Note 9, “Accounts Receivable Securitization Programs,” of the Notes to Condensed Consolidated Financial Statements for information concerning these programs.

### Lines of Credit

As of September 30, 2018, we had a \$1.0 billion revolving credit facility and \$212 million of outstanding borrowings under the facility. As of December 31, 2017, we had a \$700 million revolving credit facility and no outstanding borrowings under the facility. In July 2018, we amended and restated our senior secured credit facility, including the revolving credit facility. See Note 11, “Debt and Credit Facilities,” of the Notes to Condensed Consolidated Financial

Statements for further details.

There was \$12 million and \$23 million outstanding under various lines of credit extended to our subsidiaries at September 30, 2018 and December 31, 2017, respectively. See Note 11, "Debt and Credit Facilities," of the Notes to Condensed Consolidated Financial Statements for further details.

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## Covenants

At September 30, 2018, we were in compliance with our financial covenants and limitations, as discussed in “Covenants” of Note 11, “Debt and Credit Facilities”, of the Notes to Condensed Consolidated Financial Statements for further details.

## 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 Baa3 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 September 30, 2018 and December 31, 2017, our total debt outstanding consisted of the amounts set forth in the following table.

| (In millions)   | September 30, December 31, |            |
|---|----------------------------|------------|
|   | 2018                       | 2017       |
| Short-term borrowings                                     | \$ 308.3                   | \$ 25.3    |
| Current portion of long-term debt                         | 5.1                        | 2.2        |
| Total current debt  | 313.4                      | 27.5       |
| Total long-term debt, less current portion <sup>(1)</sup> | 3,242.5                    | 3,230.5    |
| Total debt  | 3,555.9                    | 3,258.0    |
| Less: Cash and cash equivalents                           | (191.3                     | ) (594.0   |
| Net Debt  | \$ 3,364.6                 | \$ 2,664.0 |

<sup>(1)</sup> Amounts are net of unamortized discounts and debt issuance costs of \$25 million as September 30, 2018 and \$30 million as of December 31, 2017.

See Note 11, “Debt and Credit Facilities,” of the Notes to Condensed Consolidated Financial Statements for further details.

## Analysis of Historical Cash Flow

The following table shows the changes in our Condensed Consolidated Statements of Cash Flows in the nine months ended September 30, 2018 and 2017.

| (In millions)   | Nine Months<br>Ended<br>September 30, |           |
|---|---------------------------------------|-----------|
|   | 2018                                  | 2017      |
| Net cash provided by operating activities                                     | \$150.0                               | \$332.5   |
| Net cash (used in) provided by investing activities                           | (211.2 )                              | 1,876.9   |
| Net cash used in financing activities   | (334.2 )                              | (1,245.2) |
| Effect of foreign currency exchange rate changes on cash and cash equivalents | (7.3 )                                | (18.9 )   |

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 nine months ended September 30, 2018 and 2017:

| (In millions)                              | Nine Months<br>Ended<br>September 30, |          |           |
|--|---------------------------------------|----------|-----------|
|  | 2018                                  | 2017     | Change    |
| Cash flow provided by operating activities | \$150.0                               | \$332.5  | \$(182.5) |
| Capital expenditures                       | (114.8 )                              | (126.5 ) | 11.7      |
| Free cash flow <sup>(1)</sup>              | \$35.2                                | \$206.0  | \$(170.8) |

Free cash flow was \$80 million in 2018 excluding the payment of charges related to the sale of Diversey and <sup>(1)</sup> efforts to address related stranded costs of \$45 million and \$267 million in 2017 excluding the payment of charges related to the sale of Diversey of \$61 million.

## Net Cash Provided by Operating Activities

Nine Months Ended September 30, 2018

Net cash provided by operating activities of \$150 million in the nine months ended September 30, 2018 was primarily attributable to:

\$7 million of net loss, which included an increase of \$174 million of non-cash adjustments to reconcile net loss to net cash provided by operating activities, primarily attributable to an increase in deferred taxes, depreciation and amortization, share-based incentive compensation expenses and profit sharing expenses; and \$83 million of changes in other liabilities and assets. This activity reflects an increase of provisional tax expense for one-time tax on unrepatriated foreign earnings pursuant to the TCJA partially offset by a one-time payment in lieu of certain future royalty payments and the timing of incentive compensation payments.

These were partially offset by:

\$99 million of changes in working capital, as a result of an increase in inventory and accounts receivable partially offset by increases in accounts payable. This activity reflects the timing of inventory purchases and an increase in inventory stock due to an increase in sales year over year.



Nine Months Ended September 30, 2017

Net cash provided by operating activities of \$333 million in the nine months ended September 30, 2017 was primarily attributable to:

\$848 million of net earnings, which included a reduction of \$333 million of non-cash adjustments to reconcile net earnings to net cash provided by operating activities, including adjustments for deferred taxes, depreciation and amortization, share-based incentive compensation expenses and profit sharing expenses.

These were partially offset by:

\$130 million of changes in other liabilities and assets. This activity primarily reflects the timing of certain annual incentive compensation payments as well as an increase in leased assets; and

\$53 million of changes in operating assets and liabilities, as a result of an increase in trade receivables and inventory partially offset by an increase in accounts payable. This activity reflects the timing of inventory purchases as well as an increase in outstanding balances in our accounts receivable securitization programs offset by the related payments of cash and the seasonality of sales and collections.

Net Cash (Used In) Provided by Investing Activities

Nine Months Ended September 30, 2018

Net cash used in investing activities of \$211 million in the nine months ended September 30, 2018 primarily consisted of the following:

capital expenditures of \$115 million;

\$68 million related to the acquisition of AFP;

\$20 million of working capital settlements paid related to the sale of Diversey;

an increase in cost method investments of \$8 million; and

\$6 million related to settlements of foreign currency forward contracts.

These were partially offset by:

\$7 million related to proceeds from the sale of businesses and working capital adjustments for acquisitions.

Nine Months Ended September 30, 2017

Net cash provided by investing activities of \$1.9 billion in the nine months ended September 30, 2017 primarily consisted of the following:

impact from the sale of Diversey of \$2.0 billion, net of repurchases of debt of \$777 million; and

\$4 million related to the sale of businesses and property and equipment.

These were partially offset by:

capital expenditures of \$127 million;

\$25 million related to business acquisitions; and

\$1 million related to settlements of foreign currency forward contracts.

Net Cash Used in Financing Activities

Nine Months Ended September 30, 2018

Net cash used in financing activities of \$334 million in the nine months ended September 30, 2018 was primarily due to the following:

repurchases of common stock of \$534 million;

payments of quarterly dividends of \$79 million;

acquisition of common stock for tax withholding obligations relating to stock-based compensation of \$8 million; \$6 million payment of debt issuance costs.

These factors were partially offset by:

an increase in net proceeds from borrowings of \$293 million primarily due to an increase in borrowings under our accounts receivable securitization programs and draws on our local lines of credit for use of working capital and share repurchases.

Nine Months Ended September 30, 2017

Net cash used in financing activities of \$1.2 billion in the nine months ended September 30, 2017 was primarily due to the following:

repurchases of common stock of \$757 million;

payments of Term Loan A due in July 2017 of \$250 million and \$98 million for the Brazilian tranche of Term Loan A;

payments of quarterly dividends of \$92 million; and

acquisition of common stock for tax withholding obligations relating to stock-based compensation of \$22 million.

These factors were partially offset by:

proceeds from the termination of our cross-currency swap of \$17 million.

Changes in Working Capital

| (In millions)   | September 30,<br>2018 | December 31,<br>2017 | Change    |
|---|-----------------------|----------------------|-----------|
| Working capital (current assets less current liabilities)                     | \$ 28.8               | \$ 488.2             | \$(459.4) |
| Current ratio (current assets divided by current liabilities)                 | 1.0x                  | 1.4x                 |           |
| Quick ratio (current assets, less inventories divided by current liabilities) | 0.6x                  | 1.0x                 |           |

The \$459 million, or 94%, decrease in working capital reflected:

a decrease in cash and cash equivalents of \$403 million related primarily to the repurchase of common shares; and an increase in short term borrowings primarily due to an increase in borrowings under our revolving credit facility and accounts receivables securitization programs.

These were partially offset by:

a decrease in other current liabilities primarily reflecting the payment of performance-based compensation and profit sharing previously accrued as well as final working capital adjustments related to the sale of Diversey; and

an increase in prepaid expenses and other current assets due to a payment in lieu of certain future royalty payments.

Changes in Stockholders' Equity

The \$598 million, or 393%, decrease in stockholders' equity in the nine months ended September 30, 2018 was primarily due to the following:

a net increase in shares held in treasury of \$603 million and decrease in additional paid-in capital of \$80 million due to the repurchase of common stock;

a net loss of \$7 million;

dividends paid and accrued on our common stock of \$78 million; and

cumulative translation adjustment of \$41 million.



These were partially offset by:

- stock issued for profit sharing contribution paid in stock of \$25 million; and
- unrealized gains on derivative instruments of \$12 million.

We repurchased approximately 13.5 million shares of our common stock in the nine months ended September 30, 2018 for \$603 million. See Note 17, “Stockholders’ (Deficit) Equity,” of the Notes to Condensed Consolidated Financial Statements 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 12, “Derivatives and Hedging Activities,” of the Notes to Condensed Consolidated Financial Statements under the caption “Interest Rate 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 12, “Derivatives and Hedging Activities,” of the Notes to Condensed Consolidated Financial Statements 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 12, “Derivatives and Hedging Activities,” of the Notes to Condensed Consolidated Financial Statements under the caption “Other Derivative Instruments” is incorporated herein by reference.

##### Foreign Currency Forward Contracts

At September 30, 2018, 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 12, “Derivatives and Hedging Activities,” of the Notes to Condensed Consolidated Financial Statements 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 Adopted and Issued Accounting Standards,” of the Notes to Condensed Consolidated Financial Statements 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 2017 Form 10-K with the exception of the adoption of ASU 2014-09 which is discussed further in Note 3, “Revenue Recognition, Contracts with Customers,” of the Notes to Condensed Consolidated Financial Statements and the GILTI policy discussed further in Note 15, “Income Taxes,” of the Notes to Condensed Consolidated Financial Statements. 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 2017 Form 10-K, Note 3, “Revenue Recognition,” and Note 15, “Income Taxes,” of the Notes to Condensed Consolidated Financial Statements.

#### 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 September 30, 2018, we had no outstanding interest rate swaps, collars or options.

The information set forth in Part I, Item 1 of this Quarterly Report on Form 10-Q in Note 12, “Derivatives and Hedging Activities,” of the Notes to Condensed Consolidated Financial Statements under the caption “Interest Rate Swaps,” is incorporated herein by reference.

See Note 13, “Fair Value Measurements and Other Financial Instruments,” of the Notes to Condensed Consolidated Financial Statements 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

\$73 million in the fair value of the total debt balance at September 30, 2018. 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. Foreign exchange control regulations have affected our Venezuelan subsidiaries' ability to obtain inventory and maintain normal production. As a result, of the ongoing challenging economic situation in Venezuela, the Company has ceased operations and has an insignificant amount of operations in the country. As of September 30, 2018, we do not anticipate these events will have a material impact on our 2018 results of operations. 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.

##### 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. As of July 1, 2018, Argentina's economy was designated as a hyper-inflationary economy. In the third quarter of 2018, we recognized less than \$1 million of net foreign currency exchange gains in net foreign exchange transaction loss, within other (expense) income, net on the Condensed Consolidated Statements of Operations, primarily related to the designation of Argentina as a highly inflationary economy under U.S GAAP. See Note 1, "Organization and Basis of Presentation," of the Notes to Condensed Consolidated Financial Statements for additional information. As of September 30, 2018, 1% of our consolidated net sales were derived from products sold into Argentina and net assets include \$1 million of cash and cash equivalents. Also, as of September 30, 2018, our Argentina subsidiaries had a negative cumulative translation adjustment balance of \$24 million.

##### Russia

The U.S. and the European Union (EU) have 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. However, as of September 30, 2018, we do not anticipate these events will have a material impact to our 2018 result of operations. As of September 30, 2018, 2% of our consolidated net sales were derived from products sold into Russia and net assets include \$4 million of cash and cash equivalents. Also, as of September 30, 2018, our Russian subsidiaries had a negative cumulative translation adjustment balance of \$30 million.

##### Greece

Economic events in Greece may require us to tighten credit controls that will have adverse impact on our sales and bad debt expense. However, as of September 30, 2018, we do not anticipate these events will have a material impact on our 2018 results of operations. As of September 30, 2018, less than 1% of our consolidated net sales were derived from products sold into Greece and net assets include \$4 million of cash and cash equivalents. Also, as of September 30, 2018, our Greece subsidiaries had a negative cumulative translation adjustment balance of less than \$1 million.

##### Brazil

Economic events in Brazil have exposed us to heightened levels of foreign currency exchange risks. However, as of September 30, 2018, we do not anticipate these events will have a material impact on our 2018 results of operations. As of September 30, 2018, 3% of our consolidated net sales were derived from products sold into Brazil and net assets

include \$6

61

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million of cash and cash equivalents. Also, as of September 30, 2018, our Brazil subsidiaries had a negative cumulative translation adjustment balance of \$42 million.

#### United Kingdom

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 September 30, 2018, we do not anticipate these events will have a material impact on our 2018 results of operations. As of September 30, 2018, 4% of our consolidated net sales were derived from products sold into the United Kingdom and net assets include \$3 million of cash and cash equivalents. Also, as of September 30, 2018, our United Kingdom subsidiaries had a negative cumulative translation adjustment balance of \$24 million.

#### 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 September 30, 2018 would have caused us to pay approximately \$46 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 12, "Derivatives and Hedging Activities," of the Notes to Condensed Consolidated Financial Statements contained in Part I, Item 1 of this Quarterly Report on Form 10-Q which is incorporated herein by reference.

#### Net Investment Hedge

The €400.0 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 change in the fair value of the debt was \$16 million (\$8 million net of taxes) as of September 30, 2018 and is reflected in long-term debt on our Condensed Consolidated Balance Sheets.

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. As a result of the sale of Diversey, we terminated these cross-currency swaps in September 2017 and settled these swaps in October 2017. The fair value of the swaps on the date of termination was a liability of \$62 million which was partially offset by semi-annual interest settlements of \$18 million. This resulted in a net impact of \$(44) million which is recorded in AOCI.

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 (expense) 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 \$673 million at September 30, 2018 and \$544 million at December 31, 2017.

#### 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 nine months ended September 30, 2018, respectively, and less than \$1 million for the three and nine months ended September 30, 2017. The allowance for doubtful accounts was \$7 million at September 30, 2018 and December 31, 2017.

#### 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 nine months ended September 30, 2018 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## 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 16, "Commitments and Contingencies," which is incorporated herein by reference. See also Part I, Item 3, "Legal Proceedings," of our 2017 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.

On June 25, 2018, the Company received from the staff of the SEC a subpoena for documents, including requests concerning the Company's accounting for income taxes, its financial reporting and disclosures and other matters. The Company is cooperating with the SEC in this matter. The Company cannot predict the outcome or the duration of the SEC investigation.

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, 2017 with the exception of an additional risk factor related to the changes in U.S. trade policies and regulations as well as the overall uncertainty surrounding international trade relations.

Changes in U.S. trade policies and regulations, as well as the overall uncertainty surrounding international trade relations, could materially adversely affect our consolidated financial condition and results of operations.

Recent changes in U.S. trade policies, including tariffs on raw materials imported from Canada and Mexico, and tariffs on imports from China generally, have had, and we expect that they will continue to have, an adverse effect on our costs of products sold and margins in our North America segment. Additionally, further changes in U.S. trade policies appear likely, including additional import tariffs, and would likely adversely impact our business. In response to these changes, other countries may change their own trade policies, including the imposition of additional tariffs and quotas, which could also adversely affect our business outside the U.S.

In order to mitigate the impact of these trade-related increases on our costs of products sold, we may increase prices in certain markets and, over the longer term, make changes in our supply chain and, potentially, our U.S. manufacturing strategy. Implementing price increases may cause our customers to find alternative sources for their products. We may be unable to successfully pass on these costs through price increases; adjust our supply chain without incurring significant costs; or locate alternative suppliers for raw materials or finished goods at acceptable costs or in a timely manner. Further, the uncertainty surrounding U.S. trade policy makes it difficult to make long-term strategic decisions regarding the best way to respond to these pressures and could also increase the volatility of currency exchange rates. Our inability to effectively manage the negative impacts of changing U.S. and foreign trade policies could materially adversely impact our consolidated financial condition and results of operations.

For a discussion of our risk factors, please refer to Part I, Item 1A, "Risk Factors," of our 2017 Form 10-K .

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

#### (a) Equity Securities Issues Not Registered Under the Securities Act

In connection with the acquisition of B+ Equipment in the third quarter of 2015, the Company issued 20,000 shares of restricted common stock on September 26, 2018 to certain former equity holders of B+ Equipment. These shares were issued in offshore transactions with no direct selling efforts in the United States and without registration under the Securities Act of 1933, as amended, in reliance upon the issuer safe harbor provided by Regulation S.

#### (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 September 30, 2018, 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 | Average Price Paid Per Share | Total Number of                                      | Maximum Approximate Dollar  |
|--|----------------------------------|------------------------------|--|---|
|  |                                  |                              | Shares Purchased Part of Announced Plans or Programs | Value of Shares that May Yet be Purchased Under the Plans or Programs |
|  | (a)                              | (b)                          | (c)  | (d)   |
| Balance as of June 30, 2018                  |                                  |                              |  | \$ 944,665,947  |
| July 1, 2018 through July 31, 2018           | 1,178,053                        | \$ 42.75                     | 1,131,015  | 896,312,050   |
| August 1, 2018 through August 31, 2018       | 1,195,318                        | \$ 39.68                     | 1,193,021  | 848,969,085   |
| September 1, 2018 through September 30, 2018 | 657,229                          | \$ 40.54                     | 635,602  | 823,202,482   |
| Total  | 3,030,600                        |                              | 2,959,638  | \$ 823,202,482  |

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) accelerated share repurchase programs, (iii) 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 (iv) 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)    |
| July 2018      | 38,503  | \$ 42.39   | 8,535                                    | 47,038 |
| August 2018    | —   | \$ —   | 2,297                                    | 2,297  |
| September 2018 | 799   | \$ 41.60   | 20,828                                   | 21,627 |
| Total          | 39,302  |  | 31,660                                   | 70,962 |

On July 9, 2015, the Board of Directors authorized a stock repurchase program to repurchase up to \$1.5 billion of the Company's issued and outstanding common stock. This program replaced the previous stock repurchase program approved in August 2007. On March 25, 2017, the Board of Directors authorized up to an additional \$1.5 billion of repurchases of the Company's outstanding common stock under such program. Additionally, on May 2, 2018, the Board of Directors increased the share repurchase program authorization to \$1.0 billion. This new program has no expiration date and replaces the previous authorizations.



Item 6. Exhibits

| Exhibit<br>Number | Description   |
|-------------------|---|
| 3.1               | <u>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.)</u>   |
| 3.2               | <u>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 February 15, 2017, File No. 1-12139, is incorporated herein by reference.)</u>  |
| 10.1              | <u>Third Amended and Restated Syndicated Facility Agreement, dated as of July 12, 2018, by and among Sealed Air Corporation and certain of its subsidiaries party thereto, Bank of America, N.A., as agent, and the other financial institutions party thereto, and Amendment No. 1 thereto. (Exhibit 10.1 to the Company's Current Report on Form 8-K, Date of Report July 12, 2018, File No. 1-12139, is incorporated herein by reference.)</u> |
| 31.1              | <u>Certification of Edward L. Doheny II pursuant to Rule 13a-14(a), dated November 2, 2018.</u>   |
| 31.2              | <u>Certification of William G. Stiehl pursuant to Rule 13a-14(a), dated November 2, 2018.</u>   |
| 32                | <u>Certification of Edward L. Doheny II and William G. Stiehl, pursuant to 18 U.S.C. § 1350, dated November 2, 2018.</u>  |
| 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: November 2, 2018 By: /s/ William G. Stiehl

William G. Stiehl

Senior Vice President and Chief Financial Officer