SEALED AIR CORP/DE
Form 10-K
February 19, 2019

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-K
(Mark One)
ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 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 incorporation or organization)	(I.R.S. Employer Identification Number)
2415 Cascade Pointe Boulevard, Charlotte, North Carolina	28208
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (980)-221-3235
Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, par value $0.10 per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes No
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 every Interactive Data File required to be submitted 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 such files). Yes No
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or

information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act. (Check one):
Large accelerated filer Accelerated filer Emerging growth company

Non-accelerated filer Smaller reporting company
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No
As of the last business day of the registrant’s most recently completed second fiscal quarter, June 30, 2018, the aggregate market value of the registrant’s common stock held by non-affiliates of the registrant was approximately $6,753,286,109, based on the closing sale price as reported on the New York Stock Exchange.
There were 155,632,640 shares of the registrant’s common stock, par value $0.10 per share, issued and outstanding as of February 8, 2019.
DOCUMENTS INCORPORATED BY REFERENCE:
Portions of the registrant’s definitive proxy statement for its 2019 Annual Meeting of Stockholders, to be held on May 16, 2019, are incorporated by reference into Part II and Part III of this Form 10-K.

SEALED AIR CORPORATION AND SUBSIDIARIES
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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 “anticipate,” “believe,” “plan,” “assume,” “could,” “should,” “estimate,” “expect,” “intend,” “potential,” “seek,” “predict,” “may,” “will” and similar r 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.

Please refer to Part I, Item 1A, “Risk Factors” for important factors that we believe could cause actual results to differ materially from those in our forward-looking statements. Any forward-looking statements 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 statements, whether written or oral, that may be made from time to time, whether as a result of new information, future developments or otherwise.

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 below), regulatory actions and legal matters, and the other information referenced in Part II, Item 1A, “Risk Factors.” Any forward-looking statements 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 statements, 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 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.

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, charges related to the sale of Diversey, charges related to ceasing operations in Venezuela, cash-settled stock appreciation rights ("SARs") granted as part of the original Diversey acquisition, 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.

Adjusted Net Earnings and Adjusted Earnings Per Share ("Adjusted EPS") are also used by the Company to measure total company performance. Adjusted Net Earnings is defined as U.S. GAAP net earnings from continuing operations excluding the impact of Special Items, including the expense or benefit from any special taxes or tax benefits ("Tax Special Items"). Adjusted EPS is defined as our Adjusted Net Earnings divided by the number of diluted shares outstanding.

We also present our adjusted income tax rate ("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 special taxes or tax benefits ("Tax Special Items"). The Adjusted Tax Rate is an indicator of the taxes on our core business. The tax circumstances and effective tax rate in the specific countries where the excluded or Special Items occur will determine the impact (positive or negative) to the Adjusted Tax Rate.

In our "Net Sales by Geographic Region," "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 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 resulting from the volatile currency market in Argentina and Venezuela, 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.

PART I

Item 1. Business

The Company

Sealed Air Corporation ("Sealed Air" or the "Company", also referred to as "we", "us", or "our") partners with customers to solve their most critical packaging challenges with innovative solutions that leave our world, environment, and communities better than we found them.

Sealed Air was incorporated in Delaware in 1960. We conduct substantially all of our business through two wholly-owned subsidiaries, Cryovac, LLC (formerly, Cryovac, Inc.) and Sealed Air Corporation (US). Please refer to Part II, Item 8, “Financial Statements and Supplementary Data” for financial information about the Company and its subsidiaries, which is incorporated herein by reference. Also, when we cross reference to a “Note,” we are referring to our “Notes to Consolidated Financial Statements,” unless the context indicates otherwise.

In 2018, we generated net sales of $4.7 billion, an increase of 6% over the prior year, net earnings from continuing operations of $150 million, an increase of 139% over prior year and Adjusted EBITDA of $890 million, an increase of 7% over the prior year. Refer to Part II, Item 7 “Management’s Discussion and Analysis of Financial Conditions and Results of Operations” for reconciliation of U.S. GAAP net earnings to Non-U.S. GAAP total company Adjusted EBITDA.

Competitive Strengths

In the markets we serve, we leverage our iconic brands, leading market positions, differentiated technologies, global scale/market access, and well-established customer relationships. Our portfolio of widely recognized brands includes Cryovac® food packaging and Bubble Wrap® protective packaging which respectively enable a safer, more efficient food supply chain and protect valuable goods shipped around the world.

Leading Market Positions. We are a leading global provider of packaging solutions for the food, e-Commerce, electronics and industrial markets. For food industries we provide integrated packaging materials, equipment, automation and service solutions that extend shelf life, enhance brands and drive operational excellence by eliminating waste, increasing processing speeds and reducing customers’ labor requirements. For e-Commerce, electronics, and industrial markets we offer a broad range of sustainable protective packaging materials and automation solutions that prevent product damage and enhance ‘out-of-the-box’ customer experience while increasing order fulfillment velocity, and generating savings through reductions in waste, dimensional weight and packaging labor.

Innovation. Sealed Air operates state of the art Innovation centers in the U.S. and Europe, and a global network of 41 packaging labs and design centers staffed with an extensive team of scientists, engineers, designers and industry application experts. Our research and development efforts are focused on developing sustainable, innovative solutions to improve our customers’ profitability, and help them deliver outstanding customer experience to their customers.

Global Reach. Sealed Air serves a diverse global customer base with a sales and distribution network reaching 123 countries/regions. In 2018, 49% of net sales were from outside the U.S. This scale and reach enable us to partner with customers as they expand their business on a global basis. Our broad geographic presence and extensive distribution network position us to capitalize on growth opportunities in markets around the world.

Diversified Customer Base. Our customers include the world’s leading food processors, e-Commerce and industrial and electronics manufacturers. We leverage extensive knowledge of our customers’ business when innovating new solutions, and partner with customers to effectively apply our solutions to improve their operations. Our customer base is diverse, with no single customer or affiliated group of customers representing more than 10% of net sales in 2018.

Reinvent SEE Strategy and Restructuring SEE Initiatives

In 2018, we completed a thorough assessment of our entire organization and the market opportunities available across the global packaging industry. This assessment confirmed Sealed Air is well positioned to continue delivering organic growth above the markets we serve. It also reinforced the need to grow market share and move into adjacent markets with greater speed and efficiency, as we accelerate returns on our highly differentiated innovations. Acting on these findings, Sealed Air formulated and is executing its Reinvent SEE Strategy and complementary restructuring program.

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The objective of our Reinvent SEE strategy is to transform how we innovate, buy, make, and solve customers' most critical packaging challenges. The strategy focuses on four key initiatives:

Speed to Market on Innovations. Invest in technology and resources focusing on new and existing high-growth markets. This is expected to accelerate Sealed Air's innovation rate over the next five years.

SG&A Productivity. Simplify structure to create a more nimble and efficient organization.

Product Cost Efficiency. Expand SEE Operational Excellence across the entire company by upgrading end-to-end processes: innovate, buy, make and solve. Drive continuous improvement in manufacturing and across Sealed Air's global network in areas such as procurement, conversion cost productivity, materials yield and network efficiency.

Channel Optimization and Customer Service Enhancements. Leverage Sealed Air's extensive distribution network to drive market share in existing and adjacent markets. The Company will continue to invest in digital systems and processes to improve cycle time and responsiveness.

See Note 10, "Restructuring Activities," of the Notes to Consolidated Financial Statements for further information on our Board of Directors approved Restructuring Programs.

Segments

We report our segment information in accordance with the provisions of Financial Accounting Standards Board Accounting Standards Codification Topic 280, "Segment Reporting," ("FASB ASC Topic 280"). To accelerate productivity improvements and elimination of operational redundancies, during the year the Company implemented a change in allocation of Corporate expenses. These expenses are now allocated to Food Care and Product Care segments.

See Note 5, "Segments," of the Notes to Consolidated Financial Statements for further information.

Descriptions of the Reportable Segments and Other

Food Care Segment

Food Care largely serves perishable food processors, predominantly in fresh red meat, smoked and processed meats, poultry and dairy (solids and liquids) markets worldwide, and maintains a leading position in target applications. Food Care provides integrated packaging materials and equipment solutions to provide food safety, shelf life extension, and total cost optimization with innovative, sustainable packaging that enables customers to reduce costs and enhance their brands in the marketplace.

Food Care solutions are well aligned to capitalize on global market dynamics driven by continued urbanization, global growth of middle class, the e-food movement, growing consumer preference for smaller portions and healthier food choices, increasing labor scarcity, and demand for more sustainable packaging. Food Care technologies and continued investment in innovation positions it not only to address, but to be a global leader providing solutions for sustainable packaging. Food Care solutions are marketed under the Cryovac® trademark and other highly recognized brands including Cryovac Grip & Tear®, Cryovac® Darfresh®, Cryovac Mirabella®, Simple Steps® and Optidure™.

Food Care applications are largely sold direct to customers by our sales, marketing and customer service personnel throughout the world.

Product Care Segment

Product Care packaging solutions are utilized across many global markets and are especially valuable to e-Commerce, electronics and industrial manufacturing. Product Care solutions are designed to protect valuable goods in shipping, and drive Operational Excellence for our customers, increasing their order fulfillment velocity while minimizing material usage, dimensional weight and packaging labor requirements. The breadth of Product Care's solutions portfolio, extensive packaging engineering and technical services, and global reach uniquely supports the needs of multinational customers who require performance excellence, consistency and reliability of supply wherever they operate around the globe. The acquisition of Fagerdala in 2017 and AFP, Inc., a leading, privately held fabricator of foam, corrugated, molded pulp and wood packaging solutions, in 2018 enabled us to further expand our protective packaging solutions in electronics, transportation and industrial markets with turnkey, custom-engineered, fabricated solutions.

Product Care benefits from the continued expansion of e-Commerce, increasing freight costs, scarcity of labor, and increasing demand for more sustainable packaging. Product Care solutions are largely sold through supply distributors that sell to business/industrial end-users. Product Care solutions are additionally sold directly to fabricators, original equipment manufacturers, contract manufacturers, third-party logistics partners, e-commerce/fulfillment operations, and at various retail centers. Product Care solutions are marketed under industry-leading brands including Bubble Wrap® packaging, Cryovac® performance shrink films, Instapak® polyurethane foam packaging systems, and Korrvu® suspension and retention packaging. Solutions are sold globally and supported by a network of 41 American Society for Testing and Materials International ("ASTM") approved Product Care design and testing centers, and one of the industry's largest sales and service teams.

Global Operations

We operate through our subsidiaries and have a presence in the U.S. and the 47 other countries/regions listed below, enabling us to distribute our products to our customers in 123 countries/regions.

Argentina	Denmark	Israel	Philippines	Taiwan
Australia	Finland	Italy	Poland	Thailand
Belgium	France	Japan	Portugal	Turkey
Brazil	Germany	Luxembourg	Russia	Ukraine
Canada	Greece	Malaysia	Singapore	United Arab Emirates
Chile	Guatemala	Mexico	South Africa	United Kingdom
China	Hong Kong	Netherlands	South Korea	Uruguay
Colombia	Hungary	New Zealand	Spain	
Costa Rica	India	Norway	Sweden	
Czech Republic	Ireland	Peru	Switzerland	

We face risks inherent in these international operations, such as currency fluctuations, inflation and political instability. Information on currency exchange risk appears in Part II, Item 7A of this Annual Report on Form 10-K, which information is incorporated herein by reference. Other risks attendant to our international operations are set forth in Part I, Item 1A "Risk Factors," of this Annual Report on Form 10-K, which information is incorporated herein by reference. Information on the impact of currency exchange on our Consolidated Financial Statements appears in Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations." Financial information showing net sales and total long-lived assets by geographic region for each of the two years ended December 31, 2018 appears in Note 5, "Segments," which information is incorporated herein by reference. We maintain programs to comply with the various laws, rules and regulations related to the protection of the environment that we may be subject to in the many countries/regions in which we operate. See Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" under the caption "Environmental Matters."

Raw Materials and Purchasing

Suppliers provide raw materials, packaging components, contract manufactured goods, equipment and other direct materials, such as inks, films and paper. Our principal raw materials are polyolefin and other petrochemical-based resins, as well as, paper and wood pulp products. Raw materials represent approximately one-third of our consolidated cost of sales. We also purchase corrugated materials, cores for rolls of products such as films and Bubble Wrap® brand cushioning, inks for printed materials, and blowing agents used in the expansion of foam packaging products. In addition, we offer a wide variety of specialized packaging equipment, some of which we manufacture or have manufactured to our specifications, some of which we assemble and some of which we purchase from suppliers. Equipment and accessories include industrial and food packaging equipment.

The vast majority of the raw materials required for the manufacture of our products and all components related to our equipment and accessories generally have been readily available on the open market, in most cases are available from several suppliers and are available in amounts sufficient to meet our manufacturing requirements. However, we have some sole-source suppliers, and the lack of availability of supplies could have a material negative impact on our consolidated financial condition or results of operations. Natural disasters such as hurricanes, as well as political instability and terrorist activities, may negatively impact the production or delivery capabilities of refineries and natural gas and petrochemical suppliers and suppliers of other raw materials. Due to by-product/co-product chemical

relationships to the automotive and housing markets, several materials may become difficult to source. These factors could lead to increased prices for our raw materials, curtailment of

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supplies and allocation of raw materials by our suppliers. We purchase some materials used in our packaging products from materials recycled in our manufacturing operations or obtained through participation in recycling programs. Although we purchase some raw materials under long-term supply arrangements with third parties, these arrangements follow market forces and are in line with our overall global purchasing strategy, which seeks to balance the cost of acquisition and availability of supply.

We have a centralized supply chain organization, which includes centralized management of purchasing and logistic activities. Our objective is to leverage our global scale to achieve purchasing efficiencies and reduce our total delivered cost across all our regions. We do this while adhering to strategic performance metrics and stringent purchasing practices.

Competition

There are other manufacturers of Food Care's products, some operate across multiple regions and others that operate in a single region or single country. Competing manufacturers produce a wide variety of food packaging based on plastic, metals and other materials. We believe that we are one of the leading suppliers of flexible food packaging materials and related systems in the principal geographic areas in which we offer those products.

Product Care competes against similar products made by other manufacturers and with alternative packaging materials that customers use to provide protection against damage to their products during shipment and storage. Among the competitive materials are paper packaging, expanded plastics, corrugated die cuts, strapping, envelopes, reinforced bags, and corrugated boxes as well as various types of molded foam plastics, fabricated foam plastics, mechanical shock mounts, wood blocking and bracing systems, and an assortment of automated packaging and fulfillment systems. We believe that we are one of the leading suppliers of air cellular cushioning materials containing a barrier layer, inflatable packaging, suspension and retention packaging, shrink films for industrial and consumer applications, protective mailers, polyethylene foam and polyurethane foam packaging systems in the principal geographic areas in which we sell these products.

Seasonality

Historically, net sales in our Food Care segment have tended to be slightly lower in the first quarter and slightly higher towards the end of the third quarter through the fourth quarter, due to holiday events. Net sales in our Product Care segment have also tended to be slightly lower in the first quarter and higher in the mid-third quarter and through the fourth quarter due to the holiday shopping season. On a consolidated basis, there is little seasonality in the business, with net sales slightly lower in the first quarter and slightly higher towards the end of the third quarter through the fourth quarter. Our consolidated net earnings typically trend directionally the same as our net sales seasonality. Cash flow from operations has tended to be lower in the first quarter and higher in the fourth quarter, reflecting seasonality of sales and working capital changes, including the timing of certain annual incentive compensation payments.

Other factors may outweigh the effects of seasonal changes in our net earnings results including, but not limited to, changes in raw materials and other costs, foreign exchange rates, interest rates, taxes and the timing and amount of acquisition synergies and restructuring and other non-recurring charges.

Research and Development Activities

We are advancing science and technology and creating new intellectual property which underpins the development of new solutions for our customers, including new, sustainable packaging materials, equipment automation and integration, applications knowledge, and support for our digital solutions. We maintain key external partnerships and are constantly searching for new partnerships that bring unique value, including licensing or acquiring new technologies developed by others. Our technical capabilities encompass a broad range of disciplines including food science, materials science, chemistry and chemical engineering, mechanical engineering, electrical and software engineering, microbiology, package design and engineering and equipment engineering. Our research and development expense was $81 million in 2018, $92 million in 2017 and $88 million in 2016.

Our research and development activities are focused on end-use applications. As a result, we operate:

- four comprehensive Packaging Development and Innovation Centers located in the U.S., Italy, and Singapore;
- seven Equipment Design Centers in the U.S., France, Switzerland, Italy and Singapore targeting innovation in equipment and digital solutions;
-

four Customer Application Centers in China, India, Singapore and Taipei;

- 41 Package Design and Applications Centers for Product Care globally.

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Patents and Trademarks

We own or are the licensee of approximately 2,700 U.S. and foreign patents and patent applications, and approximately 3,100 U.S. and foreign trademark registrations and trademark applications that relate to many of our products, manufacturing processes and equipment. We believe that our patents and trademarks collectively provide a competitive advantage. We file annually an average of approximately 200 U.S. and foreign patent applications and approximately 35 U.S. and foreign trademark applications. None of our reportable segments is dependent upon any single patent or trademark alone. Rather, we believe that our success depends primarily on our sales and service, marketing, engineering and manufacturing skills and on our ongoing research and development efforts. We believe that the expiration or unenforceability of any of our patents, applications, licenses or trademark registrations would not be material to our business or consolidated financial condition.

Environmental, Health and Safety Matters

As a manufacturer, we are subject to various laws, rules and regulations in the countries/regions, jurisdictions and localities in which we operate. These cover: the safe storage and use of raw materials and production chemicals; the release of materials into the environment; standards for the treatment, storage and disposal of solid and hazardous wastes; or otherwise relate to the protection of the environment. We review environmental, health and safety laws and regulations pertaining to our operations and believe that compliance with current environmental and workplace health and safety laws and regulations has not had a material effect on our capital expenditures or consolidated financial condition.

In some jurisdictions in which our packaging products are sold or used, laws and regulations have been adopted or proposed that seek to regulate, among other things, minimum levels of recycled or reprocessed content and, more generally, the sale or disposal of packaging materials. We maintain programs designed to comply with these laws and regulations and to monitor their evolution. Various federal, state, local and foreign laws and regulations regulate some of our products and require us to register certain products and comply with specified requirements. We are also subject to various federal, state, local and foreign laws and regulations that regulate products manufactured and sold by us for controlling microbial growth on humans, animals and processed foods. In the U.S., these requirements are generally administered by the U.S. Food and Drug Administration ("FDA"). To date, the cost of complying with product registration requirements and FDA compliance has not had a material adverse effect on our business, consolidated financial condition, results of operations or cash flows.

Our emphasis on environmental, health and safety compliance provides us with risk reduction opportunities and cost savings through asset protection and protection of employees.

Sustainability

As a leader in high-performance packaging innovation, we are committed to continually improving the environmental sustainability of our products. This commitment has already delivered positive environmental impacts for us and our customers, cutting resource use and waste, and differentiating us from competitors. We are investing in the use of recycled and renewable materials, expanding reuse models for our packaging, and leading collaboration with partners worldwide on our sustainability efforts.

For more information on our sustainability commitments, including our operational efficiency goals and performance, please see the Sustainability section of our website.

Employees

As of December 31, 2018, we had approximately 15,500 employees worldwide. Approximately 6,000 of these employees were in the U.S., with approximately 100 of these employees covered by collective bargaining agreements. Of the approximately 9,500 employees who were outside the U.S., approximately 5,200 were covered by collective bargaining agreements. Collective bargaining agreements related to 20% of our employees, primarily outside the U.S., will expire within the next year and we will be engaged in negotiations to attain new agreements. Many of the covered employees are represented by works councils or industrial boards, as is customary in the jurisdictions in which they are employed. We believe that our employee relations are satisfactory.

Available Information

Our Internet address is www.sealedair.com. We make available, free of charge, on or through our website, our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to those

reports that we file or furnish pursuant to Sections 13(a) or 15(d) of the Securities Exchange Act of 1934, or the Exchange Act, as soon as

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reasonably practicable after we electronically file these materials with, or furnish them to, the Securities and Exchange Commission. The information contained on, or that may be accessed through, our website is not incorporated by reference into, and is not a part of, this Form 10-K.

Item 1A. Risk Factors

Introduction

The risks described below should be carefully considered before making an investment decision. These are the most significant risk factors, but they are not the only risk factors that should be considered in making an investment decision. This Form 10-K also contains and may incorporate by reference forward-looking statements that involve risks and uncertainties. See the "Cautionary Notice Regarding Forward-Looking Statements," in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II, Item 7 of this Form 10-K. Our business, consolidated financial condition or results of operations could be materially adversely affected by any of these risks. The trading price of our securities could decline due to any of these risks, and investors in our securities may lose all or part of their investment.

Uncertain global economic conditions have had and could continue to have an adverse effect on our consolidated financial condition and results of operations.

Uncertain global economic conditions have had and may continue to have an adverse impact on our business in the form of lower net sales due to weakened demand, unfavorable changes in product price/mix, or lower profit margins. For example, global economic downturns have adversely impacted some of our end-users and customers, such as food processors, distributors, supermarket retailers, hotels, restaurants, retail establishments, other retailers, business service contractors and e-commerce and mail order fulfillment firms, and other end-users that are particularly sensitive to business and consumer spending.

During economic downturns or recessions, there can be a heightened competition for sales and increased pressure to reduce selling prices as our customers may reduce their volume of purchases from us. If we lose significant sales volume or reduce selling prices significantly, then there could be a negative impact on our consolidated financial condition or results of operations, profitability and cash flows.

Also, reduced availability of credit may adversely affect the ability of some of our customers and suppliers to obtain funds for operations and capital expenditures. This could negatively impact our ability to obtain necessary supplies as well as our sales of materials and equipment to affected customers. This also could result in reduced or delayed collections of outstanding accounts receivable.

The global nature of our operations exposes us to numerous risks that could materially adversely affect our consolidated financial condition and results of operations.

We operate in 48 countries/regions, and our products are distributed to 123 countries/regions around the world. A large portion of our manufacturing operations are located outside of the U.S. and a majority of our net sales are generated outside of the U.S. These operations, particularly in developing regions, are subject to various risks that may not be present or as significant for our U.S. operations. Economic uncertainty in some of the geographic regions in which we operate, including developing regions, could result in the disruption of commerce and negatively impact cash flows from our operations in those areas.

Risks inherent in our international operations include:

- foreign currency exchange controls and tax rates;
- foreign currency exchange rate fluctuations, including devaluations;
- the potential for changes in regional and local economic conditions, including local inflationary pressures or impacts resulting from the United Kingdom's exit from the European Union;
- restrictive governmental actions such as those on transfer or repatriation of funds and trade protection matters, including antidumping duties, tariffs, embargoes and prohibitions or restrictions on acquisitions or joint ventures;
- changes in laws and regulations, including the laws and policies of the U.S. affecting trade and foreign investment;
- the difficulty of enforcing agreements and collecting receivables through certain foreign legal systems;
- variations in protection of intellectual property and other legal rights;

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- more expansive legal rights of foreign unions or works councils;
- changes in labor conditions and difficulties in staffing and managing international operations;
- import and export delays caused, for example, by an extended strike at the port of entry, could cause a delay in our supply chain operations;
- social plans that prohibit or increase the cost of certain restructuring actions;
- the potential for nationalization of enterprises or facilities;
- unsettled political conditions and possible terrorist attacks against U.S. or other interests; and
- there are potential tax inefficiencies and tax costs in repatriating funds from our non-U.S. subsidiaries.

These and other factors may have a material adverse effect on our international operations and, consequently, on our consolidated financial condition or results of operations.

Fluctuations between foreign currencies and the U.S. dollar could materially impact our consolidated financial condition or results of operations.

Approximately 49% of our net sales in 2018 were generated outside the U.S. We translate sales and other results denominated in foreign currency into U.S. dollars for our Consolidated Financial Statements. As a result, the Company is exposed to currency fluctuations both in receiving cash from its international operations and in translating its financial results back to U.S. dollars. During periods of a strengthening U.S. dollar, our reported international sales and net earnings could be reduced because foreign currencies may translate into fewer U.S. dollars. Foreign exchange rates can also impact the competitiveness of products produced in certain jurisdictions and exported for sale into other jurisdictions. These changes may impact the value received for the sale of our goods versus those of our competitors. The Company cannot predict the effects of exchange rate fluctuations on its future operating results. As exchange rates vary, the Company's results of operations and profitability may be harmed. While we use financial instruments to hedge certain foreign currency exposures, this does not insulate us completely from foreign currency effects and exposes us to counterparty credit risk for non-performance. See Note 13, “Derivatives and Hedging Activities” of the Notes to Consolidated Financial Statements. Such hedging activities may be ineffective or may not offset more than a portion of the adverse financial effect resulting from foreign currency variations. The gains or losses associated with hedging activities may harm the Company's results of operations.

In all jurisdictions in which we operate, we are also subject to laws and regulations that govern foreign investment, foreign trade and currency exchange transactions. These laws and regulations may limit our ability to repatriate cash as dividends or otherwise to the U.S. and may limit our ability to convert foreign currency cash flows into U.S. dollars.

We have recognized foreign exchange gains and losses related to the currency devaluations in Argentina and Venezuela and its designation as a highly inflationary economy under U.S. GAAP. See Note 2, “Summary of Significant Accounting Policies and Recently Issued Accounting Standards” of the Notes to Consolidated Financial Statements.

Raw material pricing, availability and allocation by suppliers as well as energy-related costs may negatively impact our results of operations, including our profit margins.

We use petrochemical-based raw materials to manufacture many of our products. The prices for these raw materials are cyclical, and increases in market demand or fluctuations in the global trade for petrochemical- based raw materials and energy could increase our costs. While, historically we have been able to successfully manage the impact of higher raw material costs by increasing our selling prices, if we are unable to minimize the effects of increased raw material costs through sourcing, pricing or other actions, our business, consolidated financial condition or results of operations may be materially adversely affected. We also have some sole-source suppliers, and the lack of availability of supplies could have a material adverse effect on our consolidated financial condition or results of operations.

Natural disasters such as hurricanes, as well as political instability and terrorist activities, may negatively impact the production or delivery capabilities of refineries and natural gas and petrochemical suppliers and suppliers of other raw materials in the future. These factors could lead to increased prices for our raw materials, curtailment of supplies and allocation of raw materials by our suppliers, which could reduce revenues and profit margins and harm relations with our customers and which could have a material adverse effect on our consolidated financial condition or results of operations.

Unfavorable customer responses to price increases could have a material adverse impact on our sales and earnings.

From time to time, and especially in periods of rising raw material costs, we increase the prices of our products. Significant price increases could impact our earnings depending on, among other factors, the pricing by competitors of similar products and the response by the customers to higher prices. Such price increases may result in lower volume of sales and a subsequent decrease in gross margin and adversely impact earnings.

We may not achieve all of the expected benefits from our restructuring program.

We have implemented a number of restructuring programs, including various cost savings and reorganization initiatives. Most recently the Company announced a restructuring program as part of its Reinvent SEE strategy. We have made certain assumptions in estimating the anticipated savings we expect to achieve under such programs, which include the estimated savings from the elimination of certain headcount and the consolidation of facilities. We have also made assumptions on the expected cash spend to achieve the anticipated savings. These assumptions may turn out to be incorrect due to a variety of factors. In addition, our ability to realize the expected benefits from these programs is subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond our control. If we are unsuccessful in implementing these programs or if we do not achieve our expected results, our consolidated results of operations and cash flows could be adversely affected or our business operations could be disrupted.

Demand for our products could be adversely affected by changes in consumer preferences.

Our sales depend heavily on the volumes of sales by our customers in the food processing and food service industries. Consumer preferences for food and packaging formats of prepackaged food can influence our sales, as can consumer preferences for fresh and unpackaged foods. Changes in consumer behavior, including changes in consumer preferences driven by various health-related concerns and perceptions, could negatively impact demand for our products.

The consolidation of customers may adversely affect our business, consolidated financial condition or results of operations.

Customers in the food service, food and beverage processing sectors have been consolidating in recent years, and we believe this trend may continue. Such consolidation could have an adverse impact on the pricing of our products and services and our ability to retain customers, which could in turn adversely affect our business, consolidated financial condition or results of operations.

We experience competition in the markets for our products and services and in the geographic areas in which we operate.

Our packaging products compete with similar products made by other manufacturers and with a number of other types of materials or products. We compete on the basis of performance characteristics of our products, as well as service, price and innovations in technology. A number of competing domestic and foreign companies are well-established. Our inability to maintain a competitive advantage could result in lower prices or lower sales volumes for our products. Additionally, we may not successfully implement our pricing actions. These factors may have an adverse impact on our consolidated financial condition or results of operations.

We are subject to a variety of environmental and product registration laws that expose us to regulatory scrutiny, potential financial liability and increased operating costs.

Our operations are subject to a number of federal, state, local and foreign environmental, health and safety laws and regulations that govern, among other things, the manufacture of our products, the discharge of pollutants into the air, soil and water and the use, handling, transportation, storage and disposal of hazardous materials.

Many jurisdictions require us to have operating permits for our production and warehouse facilities and operations. Any failure to obtain, maintain or comply with the terms of these permits could result in fines or penalties, revocation or nonrenewal of our permits, or orders to cease certain operations, and may have a material adverse effect on our business, financial condition, results of operations and cash flows.

We generate, use and dispose of hazardous materials in our manufacturing processes. In the event our operations result in the release of hazardous materials into the environment, we may become responsible for the costs associated with the investigation and remediation of sites at which we have released pollutants, or sites where we have disposed or arranged for the

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disposal of hazardous wastes, even if we fully complied with environmental laws at the time of disposal. We have been, and may continue to be, responsible for the cost of remediation at some locations.
Some jurisdictions have laws and regulations that govern the registration and labeling of some of our products. We expect significant future environmental compliance obligations in our European operations as a result of a European Union (“EU”) Directive “Registration, Evaluation, Authorization, and Restriction of Chemicals” (EU Directive No. 2006/1907) enacted on December 18, 2006. The directive imposes several requirements related to the identification and management of risks related to chemical substances manufactured or marketed in Europe. The EU has also enacted a “Classification, Packaging and Labeling” regulation. Other jurisdictions may impose similar requirements.
Ongoing development of government policies to restrict waste imports, to ban single use plastics and to increase recycling and recovery such as those recently announced in the EU and China highlight a variety of financial liability and increased operating cost exposures. We are also subject to various federal, state, local and foreign laws and regulations that regulate products manufactured and sold by us for controlling microbial growth on humans, animals and processed foods. In the U.S., these requirements are generally administered by the U.S. Food and Drug Administration (“FDA”). We maintain programs designed to comply with these laws and regulations and to monitor their evolution. To date, the cost of complying with product registration requirements and FDA compliance has not had a material adverse effect on our business, consolidated financial condition, results of operations or cash flows.
We cannot predict with reasonable certainty the future cost to us of environmental compliance, product registration, or environmental remediation. Environmental laws have become more stringent and complex over time. Our environmental costs and operating expenses will be subject to evolving regulatory requirements and will depend on the scope and timing of the effectiveness of requirements in these various jurisdictions. As a result of such requirements, we may be subject to an increased regulatory burden, and we expect significant future environmental compliance obligations in our operations. Increased compliance costs, increasing risks and penalties associated with violations, or our inability to market some of our products in certain jurisdictions may have a material adverse effect on our business, consolidated financial condition or results of operations.
Our performance and prospects for future growth could be adversely affected if new products do not meet sales or margin expectations.
Our competitive advantage is due in part to our ability to develop and introduce new products in a timely manner at favorable margins. The development and introduction cycle of new products can be lengthy and involve high levels of investment. New products may not meet sales or margin expectations due to many factors, including our inability to (i) accurately predict demand, end-user preferences and evolving industry and regulatory standards; (ii) resolve technical and technological challenges in a timely and cost-effective manner; or (iii) achieve manufacturing efficiencies.
Cyber risk and the failure to maintain the integrity of our operational or security systems or infrastructure, or those of third parties with which we do business, could have a material adverse effect on our business, consolidated financial condition and results of operations.
We are subject to an increasing number of information technology vulnerabilities, threats and targeted computer crimes which pose a risk to the security of our systems and networks and the confidentiality, availability and integrity of our data. Disruptions or failures in the physical infrastructure or operating systems that support our businesses and customers, or cyber attacks or security breaches of our networks or systems, could result in the loss of customers and business opportunities, legal liability, regulatory fines, penalties or intervention, reputational damage, reimbursement or other compensatory costs, and additional compliance costs, any of which could materially adversely affect our business, consolidated financial condition and results of operations. While we attempt to mitigate these risks, our systems, networks, products, solutions and services remain potentially vulnerable to advanced and persistent threats.
We also maintain and have access to sensitive, confidential or personal data or information in certain of our businesses that is subject to privacy and security laws, regulations and customer controls. Despite our efforts to protect such sensitive, confidential or personal data or information, our facilities and systems and those of our customers and third-party service providers may be vulnerable to security breaches, theft, misplaced or lost data, programming and/or human errors that could lead to the compromising of sensitive, confidential or personal data or information,

improper use of our systems, software solutions or networks, unauthorized access, use, disclosure, modification or destruction of information, defective products, production downtimes and operational disruptions, which in turn could adversely affect our business, consolidated financial condition and results of operations.

We may not be able to complete future acquisitions or acquired businesses may underperform relative to our expectations. Furthermore, we may not be able to successfully integrate these businesses without significant use of resources or diversion of management’s attention.
Successful acquisition and integration of target companies may be limited by the availability of suitable acquisition candidates, the ability to obtain necessary third-party approvals and availability of financial resources. Acquisitions involve numerous risks, including difficulty determining valuation, integration of acquired operations, technologies, services and products, key personnel turnover, and the diversion of management's attention from other business matters. Ultimately, we may be unable to achieve the expected benefits and synergies which could adversely affect our business.
Disruptive forces of nature, such as significant regional droughts, prolonged severe weather conditions, floods, natural disasters and large-scale animal health issues as well as other health issues affecting the food industry may lead to decreased revenues.
We manufacture and sell food packaging products, among other products. Various forces of nature affecting the food industry have in the past and may in the future have a negative effect on the sales of food packaging products. Outbreaks of animal diseases may lead governments to restrict exports and imports of potentially affected animals and food products, leading to decreased demand for our products and possibly also to the culling or slaughter of significant numbers of the animal population otherwise intended for food supply. Other disruptive forces of nature such as droughts, floods and other severe weather can lead to agricultural market impacts resulting in reduced herd size or modifications to the traditional herd cycles which could affect demand for our products. Also, consumers may change their eating habits as a result of perceived problems with certain types of food. These factors may lead to reduced sales of food packaging products, which could have a material adverse effect on our consolidated financial condition or results of operations.
Product liability claims or regulatory actions could adversely affect our financial results or harm our reputation or the value of our brands.
Claims for losses or injuries purportedly caused by some of our products arise in the ordinary course of our business. In addition to the risk of substantial monetary judgments, product liability claims or regulatory actions could result in negative publicity that could harm our reputation in the marketplace or adversely impact the value of our brands or our ability to sell our products in certain jurisdictions. We could also be required to recall possibly defective products, or voluntarily do so, which could result in adverse publicity and significant expenses. Although we maintain product liability insurance coverage, potential product liabilities claims could be excluded or exceed coverage limits under the terms of our insurance policies or could result in increased costs for such coverage.
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 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. In November 2018, the United States-Mexico-Canada Agreement (USMCA), which is intended to replace the North American Free Trade Agreement (NAFTA), was signed but has not yet been ratified. There remains uncertainty regarding when the USMCA would be adopted as well as the specific impacts of the final agreement. Further changes in U.S. trade policies may be put into place, including additional import tariffs and tariffs on raw materials imported from Canada and Mexico, if the replacement trade agreement reached by the three countries is not ratified. Additional tariffs and changes to the U.S. trade policies 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.

Political and economic instability and risk of government actions affecting our business and our customers or suppliers may adversely impact our business, results of operations and cash flows.
We are exposed to risks inherent in doing business in each of the countries/regions or regions in which we or our customers or suppliers operate including: civil unrest, acts of terrorism, sabotage, epidemics, force majeure, war or other armed conflict and related government actions, including sanctions/embargoes, the deprivation of contract rights, the inability to obtain or retain licenses required by us to operate our plants or import or export our goods or raw materials, the expropriation or nationalization of our assets, and restrictions on travel, payments or the movement of funds. In particular, if additional restrictions on trade with Russia were adopted by the European Union or the U.S., and were applicable to our products, we could lose sales and experience lower growth rates in the future.
A major loss of or disruption in our manufacturing and distribution operations or our information systems and telecommunication resources could adversely affect our business, consolidated financial condition or results of operations.
If we experienced a natural disaster, such as a hurricane, tornado, earthquake or other severe weather event, or a casualty loss from an event such as a fire or flood, at one of our larger strategic facilities or if such event affected a key supplier, our supply chain or our information systems and telecommunication resources, then there could be a material adverse effect on our consolidated financial condition or results of operations. We are dependent on internal and third-party information technology networks and systems, including the Internet, to process, transmit and store electronic information. In particular, we depend on our information technology infrastructure for fulfilling and invoicing customer orders, applying cash receipts, and placing purchase orders with suppliers, making cash disbursements, and conducting digital marketing activities, data processing and electronic communications among business locations.
We also depend on telecommunication systems for communications between company personnel and our customers and suppliers. Future system disruptions, security breaches or shutdowns could significantly disrupt our operations or result in lost or misappropriated information and may have a material adverse effect on our business, consolidated financial condition or results of operations.
If we are unable to retain key employees and other personnel, our consolidated financial condition or results of operations may be adversely affected.
Our success depends largely on the efforts and abilities of our management team and other key personnel. Their experience and industry contacts significantly benefit us, and we need their expertise to execute our business strategies. If any of our senior management or other key personnel cease to work for us and we are unable to successfully replace any departing senior management or key personnel, our business, consolidated financial condition or results of operations may be materially adversely affected.
We could experience disruptions in operations and/or increased labor costs.
In Europe and Latin America, most of our employees are represented by either labor unions or workers' councils and are covered by collective bargaining agreements that are generally renewable on an annual basis. As is the case with any negotiation, we may not be able to negotiate acceptable new collective bargaining agreements, which could result in strikes or work stoppages by affected workers. Renewal of collective bargaining agreements could also result in higher wages or benefits paid to union members. A disruption in operations or higher ongoing labor costs could materially affect our business.
We may not be able to generate sufficient cash to service all of our indebtedness and may be forced to take other actions to satisfy our obligations under our indebtedness, which may not be successful.
Our ability to make scheduled payments on time or refinance our debt obligations depends on our financial condition and operating performance, which are subject to prevailing economic and competitive conditions and to certain financial, business, legislative, regulatory and other factors beyond our control. We may be unable to maintain a level of cash flows from operating activities sufficient to permit us to pay the principal, premium, if any, and interest on our indebtedness.
If our cash flows and capital resources are insufficient to fund our debt service obligations, we could face substantial liquidity problems and could be forced to reduce or delay investments and capital expenditures or to dispose of material assets or operations, seek additional debt or equity capital or restructure or refinance our indebtedness. We

may not be able to affect any such alternative measures on commercially reasonable terms or at all and, even if successful, those alternative actions may not allow us to meet our scheduled debt service obligations. The credit agreement governing the senior secured credit facilities, the indentures that govern our senior notes and the agreements covering our accounts receivable securitization programs restrict

our ability to dispose of assets and use the proceeds from those dispositions and may also restrict our ability to raise debt or equity capital to be used to repay other indebtedness when it becomes due. We may not be able to consummate those dispositions or to obtain proceeds in an amount sufficient to meet any debt service obligations then due.
In addition, we conduct a substantial portion of our operations through our subsidiaries, certain of which are not guarantors of our indebtedness. Accordingly, repayment of our indebtedness is dependent on the generation of cash flow by our subsidiaries and their ability to make such cash available to us, by dividend, debt repayment or otherwise. Unless they are guarantors of our indebtedness, our subsidiaries do not have any obligation to pay amounts due on indebtedness or to make funds available for that purpose. Our subsidiaries may not be able to, or may not be permitted to, make distributions to enable us to make payments in respect of our indebtedness. Each subsidiary is a distinct legal entity, and, under certain circumstances, legal and contractual restrictions may limit our ability to obtain cash from our subsidiaries. The indenture governing certain of our senior notes and the credit agreement governing the senior secured credit facilities limit the ability of certain of our subsidiaries to incur consensual restrictions on their ability to pay dividends or make other intercompany payments to us. These limitations are subject to qualifications and exceptions. In the event that we do not receive distributions from our subsidiaries, we may be unable to make required principal and interest payments on our indebtedness.
Our inability to generate sufficient cash flows to satisfy our debt obligations, or to refinance our indebtedness on commercially reasonable terms or at all, would materially and adversely affect our financial position and results of operations.
If we cannot make scheduled payments on our debt, we will be in default, the lenders under the senior secured credit facilities could terminate their commitments to loan money, the lenders could foreclose against the assets securing their borrowings and we could be forced into bankruptcy or liquidation.
The terms of our credit agreement governing our senior secured credit facilities, our accounts receivable securitization programs and the indentures governing our senior notes restrict our current and future operations, particularly our ability to respond to changes or to take certain actions.
The indentures governing our senior notes and the credit agreement governing our senior secured credit facilities and accounts receivable securitization programs contain a number of restrictive covenants that impose significant operating and financial restrictions on us and may limit our ability to engage in acts that may be in our long-term best interest, including restrictions on our ability to:

- incur additional indebtedness;
- pay dividends or make other distributions or repurchase or redeem capital stock;
- prepay, redeem or repurchase certain debt;
- make loans and investments;
- sell assets;
- incur liens;
- enter into transactions with affiliates;
- alter the businesses we conduct;
- enter into agreements restricting our subsidiaries' ability to pay dividends; and
- consolidate, merge or sell all or substantially all of our assets.

In addition, the restrictive covenants in the credit agreement governing our senior credit facilities require us to maintain a specified net leverage ratio. Our ability to meet this financial ratio can be affected by events beyond our control.
A breach of the covenants under the indenture governing our senior notes or under the credit agreement governing our senior secured credit facilities could result in an event of default under the applicable indebtedness. Such a default may allow the creditors to accelerate the related debt and may result in the acceleration of any other debt to which a cross-acceleration or cross-default provision applies. In addition, an event of default under the credit agreement governing our senior secured credit facilities would permit the lenders under our senior secured credit facilities to terminate all commitments to extend further credit under those facilities. Furthermore, if we were unable to repay the amounts due and payable under our senior secured credit facilities, those lenders could proceed against the collateral

granted to them to secure that indebtedness. In the event our lenders or note holders accelerate the repayment of our borrowings, we and our subsidiaries may not have sufficient assets to repay that indebtedness. As a result of these restrictions, we may be:

- limited in how we conduct our business;

- unable to respond to changing market conditions;
- unable to raise additional debt or equity financing to operate during general economic or business downturns or to repay other indebtedness when it becomes due; or
- unable to compete effectively or to take advantage of new business opportunities.

In addition, amounts available under our accounts receivable securitization programs can be impacted by a number of factors, including but not limited to our credit ratings, accounts receivable balances, the creditworthiness of our customers and our receivables collection experience.

Our variable rate indebtedness subjects us to interest rate risk, which could cause our debt service obligations to increase significantly.

Borrowings under our senior secured credit facilities are at variable rates of interest and expose us to interest rate risk. If interest rates increase, our debt service obligations on the variable rate indebtedness will increase even though the amount borrowed remained the same, and our net income and cash flows, including cash available for servicing our indebtedness, will correspondingly decrease. As of December 31, 2018, we had $224 million of long-term borrowings under our senior secured credit facilities at variable interest rates. A 1/8% increase or decrease in the assumed interest rates on the senior secured credit facilities would result in a $0.3 million increase or decrease in annual interest expense. In the future, we may enter into interest rate swaps that involve the exchange of floating for fixed rate interest payments in order to reduce interest rate volatility. However, we may not maintain interest rate swaps with respect to all of our variable rate indebtedness, and any swaps we enter into may not fully mitigate our interest rate risk.

The full realization of our deferred tax assets may be affected by a number of factors, including our earnings in the U.S.

We have deferred tax assets including state and foreign net operating loss carryforwards, accruals not yet deductible for tax purposes, employee benefit items and other items. We have established valuation allowances to reduce the deferred tax assets to an amount that is more likely than not to be realized. Our ability to utilize the deferred tax assets depends in part upon our ability to generate future taxable income within each respective jurisdiction during the periods in which these temporary differences reverse or our ability to carryback any losses created by the deduction of these temporary differences. We expect to realize the assets over an extended period. If we are unable to generate sufficient future taxable income in the U.S. and/or 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. Our effective tax rate would increase if we were required to increase our valuation allowances against our deferred tax assets.

Although the Settlement agreement (as defined in Note 18, “Commitments and Contingencies”) has been implemented and we have been released from the various asbestos-related, fraudulent transfer, successor liability, and indemnification claims made against us arising from a 1998 transaction with Grace (as defined below), if the courts were to refuse to enforce the injunctions or releases contained in the Plan (as defined below) and the Settlement agreement with respect to any claims and if Grace were unwilling or unable to defend and indemnify us for such claims, then we could be required to pay substantial damages, which could have a material adverse effect on our consolidated financial condition and results of operations. We were also a defendant in a number of asbestos-related actions in Canada arising from Grace’s activities in Canada prior to the 1998 transaction.

On March 31, 1998, we completed a multi-step transaction (the “Cryovac transaction”) involving W.R. Grace & Co. (“Grace”) which brought the Cryovac packaging business and the former Sealed Air’s business under the common ownership of the Company. As part of that transaction, Grace and its subsidiaries retained all liabilities arising out of their operations before the Cryovac transaction (including asbestos-related liabilities), other than liabilities relating to Cryovac’s operations, and agreed to indemnify the Company with respect to such retained liabilities. Beginning in 2000, we were served with a number of lawsuits alleging that the Cryovac transaction was a fraudulent transfer or gave rise to successor liability or both, and as a result we were responsible for alleged asbestos liabilities of Grace and its subsidiaries. On April 2, 2001, Grace and a number of its subsidiaries filed petitions for reorganization under Chapter 11 of the U.S. Bankruptcy Code in the U.S. Bankruptcy Court for the District of Delaware (the “Bankruptcy Court”). In connection with Grace’s Chapter 11 case, the Bankruptcy Court issued orders staying all asbestos actions

against the Company (the “Preliminary Injunction”) but granted the official committees appointed to represent asbestos claimants in Grace’s Chapter 11 case (the “Committees”) permission to pursue fraudulent transfer, successor liability, and other claims against the Company and its subsidiary Cryovac, Inc. based upon the Cryovac transaction.

On November 27, 2002, we reached an agreement in principle with the Committees to resolve all current and future asbestos-related claims made against us and our affiliates, as well as indemnification claims by Fresenius Medical Care Holdings, Inc. and affiliated companies, in each case, in connection with the Cryovac transaction. A definitive Settlement agreement was entered into as of November 10, 2003 consistent with the terms of the agreement in principle. On June 27, 2005, the Bankruptcy Court approved the Settlement agreement.
Subsequently, the Bankruptcy Court issued a Confirmation Order confirming Grace's plan or reorganization (as filed and amended from time to time, the "Plan") and the District Court issued a similar Confirmation Order. On February 3, 2014 (the “Effective Date”), in accordance with the Plan, Grace emerged from bankruptcy. In accordance with the Plan and the Settlement agreement, on the Effective Date, Cryovac, Inc. made aggregate cash payments in the amount of $929.7 million to the WRG Asbestos PI Trust (the “PI Trust”) and the WRG Asbestos PD Trust (the “PD Trust”) and transferred 18 million shares of Sealed Air common stock to the PI Trust. Among other things, the Plan incorporated and implemented the Settlement agreement and provided for the establishment of two asbestos trusts under Section 524(g) of the U.S. Bankruptcy Code to which present and future asbestos-related personal injury and property damage claims are channeled. The Plan also provided injunctions and releases with respect to asbestos claims and certain other claims for our benefit. In addition, under the Plan and the Settlement agreement, Grace is required to indemnify us with respect to asbestos and certain other liabilities. The Bankruptcy Court entered orders overruling all objections and confirming the Plan on January 31, 2011 and February 15, 2011 (collectively, the “Bankruptcy Court Confirmation Order”). On January 30, 2012 and June 11, 2012, the District Court entered orders (collectively with the Bankruptcy Court Confirmation Orders, the “Confirmation Orders”) overruling all objections to the Plan and confirming the Plan in its entirety, including the approval and issuance of the injunctions, releases, and indemnifications set forth in the Plan and the Bankruptcy Court Confirmation Order. Five appeals to the Confirmation Orders were filed with the United States Court of Appeals for the Third Circuit (the “Third Circuit Court of Appeals”). The Third Circuit Court of Appeals dismissed or denied the appeals in separate opinions, with the final dismissal occurring on February 3, 2014 (the “Effective Date”).
Following the Effective Date, the Bankruptcy Court issued an order dismissing the proceedings pursuant to which the Preliminary Injunction was issued. Notwithstanding the foregoing, and although we believe the possibility to be remote, if any courts were to refuse to enforce the injunctions or releases contained in the Plan and the Settlement agreement with respect to any claims, and if, in addition, Grace were unwilling or unable to defend and indemnify us for such claims, then we could be required to pay substantial damages, which could have a material adverse effect on our consolidated financial condition and results of operations.
From November 2004, the Company and specified subsidiaries were named as defendants in a number of cases, including a number of putative class actions, brought in Canada as a result of Grace’s alleged marketing, manufacturing or distributing of asbestos or asbestos containing products in Canada prior to the Cryovac transaction in 1998. Grace agreed to defend and indemnify us and our subsidiaries in these cases. A global settlement of these Canadian claims to be funded by Grace was approved by the Canadian court, and the Plan provides for payment of these claims. We have no positive obligations under the Canadian settlement, but we are a beneficiary of the release of claims. The release in favor of the Grace parties (including us) became operative upon the effective date of a plan of reorganization in Grace’s U.S. Chapter 11 bankruptcy proceeding. The Plan contemplates that the claims released under the Canadian settlement will be subject to injunctions under Section 524(g) of the Bankruptcy Code. The Canadian court issued an Order on April 8, 2011 recognizing and giving full effect to the Bankruptcy Court’s Confirmation Order in all provinces and territories of Canada. These and other Canadian actions were dismissed or discontinued with prejudice. Notwithstanding the foregoing, and although we believe the possibility to be remote, if the Canadian courts refuse to enforce the final plan of reorganization in the Canadian courts, and if in addition Grace is unwilling or unable to defend and indemnify us and our subsidiaries in these cases, then we could be required to pay damages, which we cannot estimate at this time. For further information concerning these matters, see Note 18, “Commitments and Contingencies” of the Notes to Consolidated Financial Statements.
The U.S. Internal Revenue Service (the “IRS”) has indicated that it intends to disallow our deduction of the approximately $1.49 billion for the payments made pursuant to the Settlement agreement (as defined in Note 18, “Commitments and Contingencies”).

We are currently under examination by the IRS with respect to the deduction of the approximately $1.49 billion for the 2014 taxable year for the payments made pursuant to the Settlement agreement. The IRS has indicated that it intends to disallow this deduction in full. We strongly disagree with the IRS position and are protesting this finding with the IRS. The resolution of the IRS's challenge could take several years and the outcome cannot be predicted. Nevertheless, we believe that we have meritorious defenses for the deduction of the payments made pursuant to the Settlement agreement. If the IRS's disallowance of the deduction were sustained, in whole or in part, we would have to remit all or a portion of the benefit received associated with the Settlement agreement deduction which in turn, could have a material adverse effect on our

consolidated financial condition and results of operations. For further information concerning this matter, see Note 18, “Commitments and Contingencies,” of the Notes to Consolidated Financial Statements.
Disruption and volatility of the financial and credit markets could affect our external liquidity sources.
Our principal sources of liquidity are accumulated cash and cash equivalents, short-term investments, cash flow from operations and amounts available under our lines of credit, including our senior secured credit facilities and our accounts receivable securitization programs. We may be unable to refinance any of our indebtedness, including our senior notes, our accounts receivable securitization programs and our senior secured credit facilities, on commercially reasonable terms or at all.
Additionally, conditions in financial markets could affect financial institutions with which we have relationships and could result in adverse effects on our ability to utilize fully our committed borrowing facilities. For example, a lender under the senior secured credit facilities may be unwilling or unable to fund a borrowing request, and we may not be able to replace such lender.
Our annual effective income tax rate can change materially as a result of changes in our geographic mix of U.S. and foreign earnings and other factors, including changes in tax laws and changes made by regulatory authorities.
Our overall effective income tax rate is equal to our total tax expense as a percentage of total earnings before tax. However, income tax expense and benefits are not recognized on a global basis but rather on a jurisdictional or legal entity basis. Losses in one jurisdiction may not be used to offset profits in other jurisdictions and may cause an increase in our tax rate. Changes in the mix of earnings (or losses) between jurisdictions and assumptions used in the calculation of income taxes, among other factors, could have a significant effect on our overall effective income tax rate.
We are subject to taxation in multiple jurisdictions. As a result, any adverse development in the tax laws of any of these jurisdictions or any disagreement with our tax positions could have a material adverse effect on our business, consolidated financial condition or results of operations.
We are subject to taxation in, and to the tax laws and regulations of, multiple jurisdictions as a result of the international scope of our operations and our corporate and financing structure. Tax laws are dynamic and subject to change as new laws are passed and new interpretations of the law are issued or applied. In 2017 the United States enacted significant tax reform, (the Tax Cuts and Jobs Act or "TCJA") and certain provisions or interpretations of the new law may adversely affect us. For example, the one-time mandatory tax on previously deferred foreign earnings of foreign subsidiaries, or “Transition Tax”, involved complex calculations and had a material impact on our financial results in 2018. Many countries in the European Union, as well as a number of other countries and organizations such as the Organization for Economic Cooperation and Development, are actively considering changes to existing tax laws that, if enacted, could increase our tax obligations in countries where we do business. Additional changes in tax laws could increase our overall taxes and our business, consolidated financial condition or results of operations could be adversely affected in a material way. The tax authorities in any applicable jurisdiction, including the U.S., may disagree with the positions we have taken or intend to take regarding the tax treatment or characterization of any of our transactions. If any applicable tax authorities, including U.S. tax authorities, were to successfully challenge the tax treatment or characterization of any of our transactions, it could have a material adverse effect on our business, consolidated financial condition or results of our operations.
Concerns about greenhouse gas (“GHG”) emissions and climate change and the resulting governmental and market responses to these issues could increase costs that we incur and could otherwise affect our consolidated financial condition or results of operations.
Numerous legislative and regulatory initiatives have been enacted and proposed in response to concerns about GHG emissions and climate change. We are a manufacturing entity that utilizes petrochemical-based raw materials to produce many of our products, including plastic packaging materials. Increased environmental legislation or regulation could result in higher costs for us in the form of higher raw materials, freight and energy costs. We could also incur additional compliance costs for monitoring and reporting emissions and for maintaining permits. It is also possible that certain materials might cease to be permitted to be used in our processes.
Our insurance policies may not cover all operating risks and a casualty loss beyond the limits of our coverage could materially and adversely impact our business.

Our business is subject to operating hazards and risks relating to handling, storing, transporting and use of the products we sell. We maintain insurance policies in amounts and with coverage and deductibles that we believe are reasonable and

prudent. Nevertheless, our insurance coverage may not be adequate to protect us from all liabilities and expenses that may arise from claims for personal injury or death or property damage arising in the ordinary course of business, and our current levels of insurance may not be maintained or available in the future at economical prices. If a significant liability claim is brought against us that are not adequately covered by insurance, we may have to pay the claim with our own funds, which could have a material adverse effect on our business, consolidated financial condition or results of operations.

If we are not able to protect our trade secrets or maintain our trademarks, patents and other intellectual property, we may not be able to prevent competitors from developing similar products or from marketing their products in a manner that capitalizes on our trademarks, and this loss of a competitive advantage could decrease our profitability and liquidity.

Our ability to compete effectively with other companies depends, in part, on our ability to maintain the proprietary nature of our owned and licensed intellectual property. If we were unable to maintain the proprietary nature of our intellectual property and our significant current or future products, the resulting loss of associated competitive advantage could lead to decreased sales or increased operating costs, either of which could have a material adverse effect on our business, consolidated financial condition or results of operations.

We rely on trade secrets to maintain our competitive position, including protecting the formulation and manufacturing techniques of many of our products. As such, we have not sought U.S. or international patent protection for some of our principal product formulas and manufacturing processes. Accordingly, we may not be able to prevent others from developing products that are similar to or competitive with our products.

We own a large number of patents and pending patent applications on our products, aspects thereof, methods of use and/or methods of manufacturing. There is a risk that our patents may not provide meaningful protection and patents may never be issued for our pending patent applications.

We own, or have licenses to use, all of the material trademark and trade name rights used in connection with the packaging, marketing and distribution of our major products both in the U.S. and in other countries/regions where our products are principally sold. Trademark and trade name protection is important to our business. Although most of our trademarks are registered in the U.S. and in the foreign countries/regions in which we operate, we may not be successful in asserting trademark or trade name protection. In addition, the laws of some foreign countries/regions may not protect our intellectual property rights to the same extent as the laws of the U.S. The costs required to protect our trademarks and trade names may be substantial.

We cannot be certain that we will be able to assert these intellectual property rights successfully in the future or that they will not be invalidated, circumvented or challenged. Other parties may infringe on our intellectual property rights and may thereby dilute the value of our intellectual property in the marketplace. Third parties, including competitors, may assert intellectual property infringement or invalidity claims against us that could be upheld. Intellectual property litigation, which could result in substantial cost to and diversion of effort by us, may be necessary to protect our trade secrets or proprietary technology or for us to defend against claimed infringement of the rights of others and to determine the scope and validity of others' proprietary rights. We may not prevail in any such litigation, and if we are unsuccessful, we may not be able to obtain any necessary licenses on reasonable terms or at all.

Any failure by us to protect our trademarks and other intellectual property rights may have a material adverse effect on our business, consolidated financial condition or results of operations.

As a result of acquisitions, we may record a significant amount of goodwill and other identifiable intangible assets and we may never realize the full carrying value of the related assets.

As a result of acquisitions, we may record a significant amount of goodwill and other identifiable intangible assets, including customer relationships, trademarks and developed technologies.

We test goodwill and intangible assets with indefinite useful lives for possible impairment annually during the fourth quarter of each fiscal year or more frequently if events or changes in circumstances indicate that the asset might be impaired. Amortizable intangible assets are periodically reviewed for possible impairment whenever there is evidence that events or changes in circumstances indicate that the carrying value may not be recoverable. Impairment may result from, among other things, (i) a decrease in our expected net earnings; (ii) adverse equity market conditions; (iii) a decline in current market multiples; (iv) a decline in our common stock price; (v) a significant adverse change in

legal factors or business climates; (vi) an adverse action or assessment by a regulator; (vii) heightened competition; (viii) strategic decisions made in response to economic or competitive conditions; or (ix) a more-likely-than-not expectation that a reporting unit or a significant portion of a reporting unit will be sold or disposed of. In the event that we determine that events or circumstances exist that indicate that the

carrying value of goodwill or identifiable intangible assets may no longer be recoverable, we might have to recognize a non-cash impairment of goodwill or other identifiable intangible assets, which could have a material adverse effect on our consolidated financial condition or results of operations.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

We manufacture products in 100 facilities, with 15 of those facilities serving more than one of our business segments. The following table shows our manufacturing facilities by geographic region and our business segment reporting structure:

Geographic Region	Number of Manufacturing Facilities	Food Care Manufacturing Facilities	Product Care Manufacturing Facilities
North America	38	8	33
Europe, Middle East and Africa ("EMEA")	26	12	20
Latin America	10	8	3
Asia, Australia and New Zealand ("APAC")	26	9	22
Total	100	37	78

Other Property Information

We own the large majority of our manufacturing facilities. Some of these facilities are subject to secured or other financing arrangements. We lease the balance of our manufacturing facilities, which are generally smaller sites. Our manufacturing facilities are usually located in general purpose buildings that house our specialized machinery for the manufacture of one or more products. Because of the relatively low density of our air cellular, polyethylene foam and protective mailer products, we realize significant freight savings by locating our manufacturing facilities for these products near our customers and distributors.

We also occupy facilities containing sales, distribution, technical, warehouse or administrative functions at a number of locations in the U.S. and in many foreign countries/regions. Some of these facilities are located on the manufacturing sites that we own and some of these are leased. Stand-alone facilities of these types are generally leased. Our global headquarters is located in an owned property in Charlotte, North Carolina. For a list of those countries/regions outside of the U.S. where we have operations, see "Global Operations" above.

We believe that our manufacturing, warehouse, office and other facilities are well maintained, suitable for their purposes and adequate for our needs.

Item 3. Legal Proceedings

The information set forth in Note 18, “Commitments and Contingencies,” of the Notes to Consolidated Financial Statements under the caption “Cryovac Transaction Commitments and Contingencies” is incorporated herein by reference.

At December 31, 2018, we were a party to, or otherwise involved in, several federal, state and foreign environmental proceedings and private environmental claims for the cleanup of “Superfund” sites under the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 and other sites. We may have potential liability for investigation and cleanup of some of these sites. It is our policy to accrue for environmental cleanup costs if it is probable that a liability has been incurred and if we can reasonably estimate an amount or range of costs associated with various alternative remediation strategies, without giving effect to any possible future insurance proceeds. As assessments and cleanups proceed, we review these liabilities periodically and adjust our reserves as additional information becomes available. At December 31, 2018, environmental related reserves were not material to our consolidated financial condition or results of operations. While it is often difficult to estimate potential liabilities and the future impact of environmental matters, based upon the information currently available to us and our experience in dealing with these matters, we believe that our potential future liability with respect to these sites is not material to our consolidated financial condition or results of operations.

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. We are fully cooperating with the SEC on this matter and 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 consolidated financial condition or results of operations.

Item 4. Mine Safety Disclosures.

Not applicable.

Executive Officers of the Registrant

The information appearing in the table below sets forth the current position or positions held by each of our executive officers, the officer's age as of January 31, 2019, the year in which the officer was first elected to the position currently held with us or with the former Sealed Air Corporation, now known as Sealed Air Corporation (US) and a wholly-owned subsidiary of the Company, and the year in which such person was first elected an officer. All of our officers serve at the pleasure of the Board of Directors.

There are no family relationships among any of our officers or directors.

Name and Current Position	Age as of January 31, 2019	First Elected to Current Position	First Elected an Officer
Edward L. Doheny II President and Chief Executive Officer	56	2018	2017
William G. Stiehl Senior Vice President and Chief Financial Officer	57	2018	2013
Emile Z. Chammas Senior Vice President	50	2010	2010
Kenneth P. Chrisman Senior Vice President	54	2014	2014
Karl R. Deily Senior Vice President	61	2006	2006
Michael A. Leon Chief Accounting Officer and Controller	38	2018	2018

Mr. Doheny joined Sealed Air as Chief Operating Officer and CEO-Designate in September 2017 and was elected a Director of Sealed Air Corporation. He became President and CEO effective January 1, 2018. Prior to joining the Company in September 2017, Mr. Doheny served as President and Chief Executive Officer and a Director of Joy Global Inc. from December 2013 through May 2017. Mr. Doheny also served as the Executive Vice President of Joy Global and President and Chief Operating Officer of its Underground Mining Machinery business from 2006 to 2013, where he had global responsibility for the company's underground mining machinery business. Prior to joining Joy Global, Mr. Doheny had a 21-year career with Ingersoll-Rand Corporation holding a series of senior executive positions of increasing responsibility, including President of Industrial Technologies from 2003 to 2005 and as President of the Air Solutions Group from 2000 to 2003.

Effective June 7, 2018, the Company appointed Mr. Stiehl as Senior Vice President and Chief Financial Officer. Prior to being named as Senior Vice President and Chief Financial Officer, Mr. Stiehl served as Acting Chief Financial Officer, Chief Accounting Officer and Controller since October 31, 2017. He was previously the Chief Accounting Officer and Controller since joining the Company in January 2013. Prior to joining the Company, Mr. Stiehl was Vice President of Finance and Controller of the Aerostructures business unit of United Technologies Corporation from July 2012 through December 2012. Mr. Stiehl worked at Goodrich Corporation from 2006 through 2012. Mr. Stiehl also served as Senior Audit Manager with Deloitte and has worked in various accounting and finance positions for over twenty-five years with increasing levels of responsibilities.

Prior to being elected as an officer in August 2014, Mr. Chrisman served in a variety of management positions with the Company, including Global Vice President of Cushioning Solutions, Vice President and General Manager of Global Specialty Foams and Vice President of Customer Equipment. Mr. Chrisman has been an employee of the Company for 29 years.

Effective June 7, 2018, the Company appointed Mr. Leon, as the Chief Accounting Officer and Controller. Prior to the appointment, he served as the Company's Assistant Corporate Controller since December 2014. Before joining the Company, Mr. Leon held various accounting and finance positions with increasing levels of responsibilities at a Big 4 public accounting firm and at several diversified global manufacturing companies, including SPX Corporation from

November 2012 to December 2014, United Technologies Corporation from July 2012 to November 2012 and Goodrich Corporation from October 2006 to July 2012. He has extensive financial and accounting experience, including financial reporting, financial planning and analysis, mergers and acquisitions, and internal audit, among others.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our common stock is listed on the New York Stock Exchange the trading symbol SEE. As of February 8, 2019, there were approximately 3,933 holders of record of our common stock.

Common Stock Performance Comparisons

The following graph shows, for the five years ended December 31, 2018, the cumulative total return on an investment of $100 assumed to have been made on December 31, 2013 in our common stock. The graph compares this return ("SEE") with that of comparable investments assumed to have been made on the same date in: (a) the Standard & Poor's 500 Stock Index ("Composite S&P 500") and (b) a self-constructed peer group ("Peer Group").

The Peer Group includes us and the following companies: AptarGroup, Inc.; Ashland Global Holdings Inc.; Avery Dennison Corporation; Axalta Coating Systems Ltd.; Ball Corporation; Bemis Company, Inc; Berry Global Group, Inc.; Celanese Corporation; Crown Holdings, Inc.; Graphic Packaging Holding Company; Greif, Inc.; Maple Leaf Foods Inc.; Owens-Illinois, Inc.; Packaging Corporation of America; PolyOne Corporation; Silgan Holdings Inc.; and Sonoco Products Company.

Total return for each assumed investment assumes the reinvestment of all dividends on December 31 of the year in which the dividends were paid.

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 December 31, 2018, the average price paid per share and the maximum number of shares that may yet be purchased under our publicly announced plans or programs.

Period	Total Number of Shares Purchased[(i)]	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Announced Plans or Programs	Maximum Approximate Dollar Value of Shares that May Yet be Purchased Under the Plans or Programs
	(a)	(b)	(c)	(d)
Balance as of September 30, 2018				$ 823,202,482
October 1, 2018 through October 31, 2018	11,294	$ —	—	823,202,482
November 1, 2018 through November 30, 2018	1,291,754	35.46	1,291,754	777,397,507
December 1, 2018 through December 31, 2018	81,875	34.95	71,530	774,897,541
Total	1,384,924		1,363,284	$ 774,897,541

(i) We acquire shares by means of (i) open market share repurchases, (ii) accelerated share repurchase programs we enter into from time to time, (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 tax withholding obligations or other legally required charges to be satisfied by having us withhold shares from an award under that plan and/or (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 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)
October 2018	—	$ —	11,294	11,294
November 2018	—	—	—	—
December 2018	—	—	10,345	10,345
Total	—		21,639	21,639

On July 9, 2015, the Board of Directors authorized a new stock repurchase program to repurchase up to $1.5 billion of the Company’s issued and outstanding common stock. This new program replaced the previous stock repurchase program approved in August 2007. On March 25, 2017, the Board of Directors further 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. Selected Financial Data

	Year Ended December 31,				
(In millions, except share data)	2018	2017	2016	2015	2014
Consolidated Statements of Operations Data[1]:					
Net sales	$4,732.7	$4,461.6	$4,211.3	$4,410.3	$4,875.0
Gross profit	1,502.1	1,412.1	1,401.0	1,449.2	1,432.9
Operating profit	656.3	571.3	628.9	624.9	549.2
Loss on debt redemption	—	—	—	(110.0)	(102.5)
Earnings from continuing operations before income tax provision	457.8	393.3	387.9	291.4	186.4
Net earnings from continuing operations	150.3	62.8	292.3	158.8	164.6
Gain on sale of discontinued operations, net of tax[2]	42.8	640.7	—	—	—
Net earnings from discontinued operations, net of tax[2]	—	111.4	194.1	176.6	93.5
Net earnings	$193.1	$814.9	$486.4	$335.4	$258.1
Basic and diluted net earnings per common share:					
Basic					
Continuing operations	$0.94	$0.34	$1.50	$0.78	$0.78
Discontinued operations[2]	0.27	3.99	0.99	0.85	0.44
Net earnings per common share—basic	$1.21	$4.33	$2.49	$1.63	$1.22
Diluted					
Continuing operations	$0.94	$0.33	$1.48	$0.77	$0.77
Discontinued operations[2]	0.26	3.96	0.98	0.85	0.43
Net earnings per common share—diluted	$1.20	$4.29	$2.46	$1.62	$1.20
Dividends per common share	$0.64	$0.64	$0.61	$0.52	$0.52
Consolidated Balance Sheets Data:					
Total assets	$5,050.2	$5,280.3	$7,415.5	$7,395.1	$7,912.0
Long-term debt, less current portion[2]	3,236.5	3,230.5	3,762.6	4,076.7	4,014.1
Total stockholders' (deficit) equity	(348.6)	152.3	609.7	527.0	1,162.8
Consolidated Cash Flows Data[1]:					
Net cash provided by (used in) operating activities	$428.0	$424.4	$906.9	$982.1	$(218.8)
Net cash (used in) provided by investing activities	(266.7)	1,786.1	(314.8)	(60.0)	(126.3)
Net cash used in financing activities	(478.3)	(1,889.7)	(544.5)	(788.7)	(321.2)
Other Financial Data:					
Depreciation and amortization	$131.2	$149.3	$214.0	$213.3	$107.5
Share-based incentive compensation	29.2	44.9	59.9	61.2	46.4
Capital expenditures	(168.6)	(183.8)	(275.7)	(184.0)	(129.7)

(1) See Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," for a discussion of the factors that contributed to our consolidated operating results and our consolidated cash flows for the three years ended December 31, 2018.

(2) Operating results for the Diversey Care division and the Food Hygiene and Cleaning business within our Food Care division were reclassified to discontinued operations in 2014 through the sale on September 6, 2017. The related assets and liabilities were reclassified to assets and liabilities held for sale as of December 31, 2014. See Note 4, "Discontinued Operations, Divestitures and Acquisitions," of the Notes to Consolidated Financial Statements for further information about the sale of the Diversey Care division and the Food Hygiene and Cleaning business within our Food Care division.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The information in this MD&A should be read together with our Consolidated Financial Statements and related notes set forth in Part II, Item 8, as well as the discussion included in Part I, Item 1A, "Risk Factors," of this Annual Report on Form 10-K. All amounts and percentages are approximate due to rounding and all dollars are in millions, except per share amounts.

On March 25, 2017, we entered into a definitive agreement to sell the Diversey Care division and the Food Hygiene and Cleaning business within the Food Care division (collectively "Diversey"). The sale of Diversey was completed on September 6, 2017. Results of operations for Diversey are reported as discontinued operations in all periods presented. See Note 4, "Discontinued Operations, Divestitures and Acquisitions," of the Notes to the Consolidated Financial Statements for further information.

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. See Note 5, "Segments," of the Notes to the Consolidated Financial Statements for further information.

Overview

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 have widely recognized and inventive brands such as Cryovac® packaging technology, our Bubble Wrap® brand cushioning, Jiffy® protective mailers and Instapak® foam-in-place systems.

We employ sales, marketing and customer service personnel throughout the world who sell and market our products to and 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, food service businesses, supermarket retailers, lodging, retail pharmaceutical companies, healthcare facilities, medical device manufacturers, and other manufacturers. We have no material long-term contracts for the distribution of our products. In 2018, no customer or affiliated group of customers accounted for 10% or more of our consolidated net sales.

Historically, net sales in our Food Care segment have tended to be slightly lower in the first quarter and slightly higher towards the end of the third quarter through the fourth quarter, due to holiday events. Net sales in our Product Care segment have also tended to be slightly lower in the first quarter and higher in the mid-third quarter and through the fourth quarter due to the holiday shopping season. On a consolidated basis, there is little seasonality in the business with net sales slightly lower in the first quarter and slightly higher towards the end of the third quarter through the fourth quarter. Our consolidated net earnings typically trend directionally the same as our net sales seasonality. Cash flow from operations tends to be higher in the second half of the year, reflecting seasonality of sales and working capital changes, including the timing of certain annual incentive compensation payments.

Other factors may outweigh the effects of seasonal changes in our net earnings results including, but not limited to, changes in raw materials and other costs, foreign exchange rates, interest rates, taxes and the timing and amount of acquisition synergies and restructuring and other non-recurring charges.

Competition for most of our packaging products is based primarily on packaging performance characteristics, automation, service and price. Since competition is also based upon innovations in packaging technology, we maintain ongoing research and development programs to enable us to maintain technological leadership. Competition is both global and regional in scope and includes numerous small, local competitors with limited product portfolios and geographic reach. For more details, see "Competition" included in Part I, Item 1 "Business."

Our net sales are sensitive to developments in our customers' business or market conditions, changes in the global economy, and the effects of foreign currency translation. Our costs can vary materially due to changes in input costs, including

petrochemical-related costs (primarily resin costs), which are not within our control. Consequently, our management focuses on reducing those costs that we can control and using petrochemical-based and other raw materials as efficiently as possible. We also believe that our global presence helps to insulate us from localized changes in business conditions.

We manage our businesses to generate substantial operating cash flow. We believe that our operating cash flow will permit us to continue to spend on innovative research and development and to invest in our business by means of capital expenditures for property, equipment and acquisitions. Moreover, we expect that our ability to generate substantial operating cash flow should provide us with the flexibility to repay debt and to return capital to our stockholders.

Recent Events and Trends

On December 13, 2018, Sealed Air announced its Reinvent SEE strategy to enhance earnings growth and address cost savings in the following key initiatives: speed to market for new innovations, SG&A productivity, product cost efficiency, and channel optimization and customer service enhancements. As previously announced, the Reinvent SEE strategy includes a three-year restructuring program ("New Program"). The New Program is expected to generate total annualized savings in the range of approximately $215 to $235 million by the end of 2021, of which approximately $45 million will be realized in 2019. The total cash cost of this program is estimated to be in the range of $190 to $220 million, of which approximately $80 million will be incurred in 2019.

As part of Reinvent SEE, Sealed Air is enhancing the Company's operating model to drive market penetration, increase speed to market for new innovations and optimize channel and customer service. Sealed Air will combine the commercial leadership of two divisions to one SEE Commercial team led by Karl Deily who will serve as Chief Commercial Officer.

At this point in our Reinvent SEE progression, notwithstanding the combination of the commercial teams, we continue to evaluate the Company's performance under the segments of Food Care and Product Care. The Company will continue to assess the changes in the management and changes to the way we review the results and make operating decisions for the business and the related effect on our segment reporting structure. We will evaluate whether changes should be made to our segment reporting as the execution of our Reinvent SEE strategy progresses. Segment evaluation is one component of the broader reexamination of our operating model.

Highlights of Financial Performance

Below are the highlights of our financial performance for the three years ended December 31.

	Year Ended December 31,			2018 vs. 2017	2017 vs. 2016
(In millions, except per share amounts)	2018	2017	2016	% Change	% Change
Net sales	$4,732.7	$4,461.6	$4,211.3	6.1 %	5.9 %
Gross profit	$1,502.1	$1,412.1	$1,401.0	6.4 %	0.8 %
As a % of net sales	31.7 %	31.7 %	33.3 %		
Operating profit	$656.3	$571.3	$628.9	14.9 %	(9.2)%
As a % of net sales	13.9 %	12.8 %	14.9 %		
Net earnings from continuing operations	$150.3	$62.8	$292.3	#	(78.5)%
Gain on sale of discontinued operations, net of tax	42.8	640.7	—	(93.3)%	#
Net earnings from discontinued operations, net of tax	—	111.4	194.1	#	(42.6)%
Net earnings	$193.1	$814.9	$486.4	(76.3)%	67.5 %
Basic:					
Continuing operations	$0.94	$0.34	$1.50	#	(77.3)%
Discontinued operations	0.27	3.99	0.99	(93.2)%	#
Net earnings per common share - basic	$1.21	$4.33	$2.49	(72.1)%	73.9 %
Diluted:					
Continuing operations	$0.94	$0.33	$1.48	#	(77.7)%
Discontinued operations	0.26	3.96	0.98	(93.4)%	#
Net earnings per common share - diluted	$1.20	$4.29	$2.46	(72.0)%	74.4 %
Weighted average number of common shares outstanding:					
Basic	159.4	186.9	194.3		
Diluted	160.2	188.9	197.2		
Non-U.S. GAAP Adjusted EBITDA from continuing operations(1)	$889.5	$833.3	$809.2	6.7 %	3.0 %
Non-U.S. GAAP Adjusted EPS from continuing operations(2)(3)	$2.50	$1.81	$1.70	38.1 %	6.5 %

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

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

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

(3) Represents U.S. GAAP EPS adjusted for the net effect of Special Items, which are certain specified infrequent, non-operational or one-time costs/credits.

Diluted Net Earnings per Common Share

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

(In millions, except per share data)	Year Ended December 31, 2018 Net Earnings	EPS	2017 Net Earnings	EPS	2016 Net Earnings	EPS
U.S. GAAP net earnings and diluted EPS from continuing operations[1]	$150.3	$0.94	$62.8	$0.33	$292.3	$1.48
Special Items[2]	250.6	1.56	279.8	1.48	42.4	0.22
Non-U.S. GAAP adjusted net earnings and adjusted EPS available from continuing operations	$400.9	$2.50	$342.6	$1.81	$334.7	$1.70
Weighted average number of common shares outstanding – Diluted		160.2		188.9		197.2

[1] Net earnings per common share are calculated under the two-class method.
[2] Special Items include the following:

(In millions, except per share data)	Year Ended December 31, 2018	2017	2016
Special Items:			
Restructuring and other charges	$(47.8)	$(12.1)	$(2.5)
Other restructuring associated costs	(15.8)	(14.3)	(19.8)
Foreign currency exchange loss due to highly inflationary economies	(2.5)	—	(1.7)
Charges related to ceasing operations in Venezuela[i]	—	—	(48.5)
Charges related to acquisition and divestiture activity	(13.3)	(15.5)	(1.8)
Charges incurred related to the sale of Diversey	(20.9)	(68.6)	(1.4)
Gain from class-action litigation settlement	14.9	—	—
Curtailment benefits related to retained Diversey retirement plans	—	13.5	—
Other Special Items[ii]	(9.4)	(0.5)	(1.4)
Pre-tax impact of Special Items	$(94.8)	$(97.5)	$(77.1)
Tax impact of Special Items and Tax Special Items[iii]	(155.8)	(182.3)	34.7
Net impact of Special Items	$(250.6)	$(279.8)	$(42.4)
Weighted average number of common shares outstanding - Diluted	160.2	188.9	197.2
Earnings per share impact from Special Items	$(1.56)	$(1.48)	$(0.22)

(i) Due to the ongoing challenging economic situation in Venezuela, the Company approved a program in the second quarter of 2016 to cease operations in the country. Refer to Note 2, “Summary of Significant Accounting Policies and Recently Issued Accounting Standards," of the Notes to the Consolidated Financial Statements for further details.

(ii) Other Special Items for the year ended December 31, 2018 primarily included fees related to professional services. Other Special Items for the year ended December 31, 2017 primarily included transaction costs related to reorganizations. Other Special Items for the year ended December 31, 2016 primarily included legal fees associated with restructuring.

(iii) Refer to Note 1 of the following table for a description of Tax Special Items.

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

(In millions, except per share data)	Year Ended December 31, 2018	2017	2016
U.S. GAAP Earnings before income tax provision from continuing operations	$457.8	$393.3	$387.9
Pre-tax impact of Special Items	94.8	97.5	77.1
Non-U.S. GAAP Adjusted Earnings before income tax provision from continuing operations	$552.6	$490.8	$465.0
U.S. GAAP Income tax provision from continuing operations	$307.5	$330.5	$95.6
Tax Special Items[1]	(178.3)	(208.1)	23.7
Tax impact of Special Items[2]	22.5	25.8	11.0
Non-U.S. GAAP Adjusted Income tax provision from continuing operations	$151.7	$148.2	$130.3
U.S. GAAP Effective income tax rate	67.2 %	84.0 %	24.6 %
Non-U.S. GAAP Adjusted income tax rate	27.5 %	30.2 %	28.0 %

(1) For the year ended December 31, 2018, the Tax Special Items included $222 million of expense for Transition Tax, partially offset by the release of valuation allowances associated with tax initiatives. For the year ended December 31, 2017, the Tax Special Items include the impact of the sale of Diversey, the revaluation of deferred tax assets as a result of the TCJA and an increase in unrecognized tax benefits in foreign jurisdictions. For the year ended December 31, 2016, the Tax Special Items included adjustments to foreign tax credits and a change in the permanent reinvestment assertion in some of our foreign jurisdictions (i.e. a change in our repatriation of foreign earnings strategy).

(2) The tax rate used to calculate the tax impact of Special Items is based on the jurisdiction in which the charge was recorded.

Foreign Currency Translation Impact on 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 consolidated financial results are the euro, the Chinese Renminbi, the Australian dollar, the Brazilian real, the British pound, the Canadian dollar, and the Mexican peso.

The following table presents the approximate favorable or (unfavorable) impact foreign currency translation had on some of our consolidated financial results:

(In millions)	2018 vs. 2017	2017 vs. 2016
Net sales	$(43.4)	$29.9
Cost of sales	31.7	(23.3)
Selling, general and administrative expenses	1.0	(4.7)
Net earnings	(8.2)	(1.2)
Adjusted EBITDA	(11.1)	4.9

Net Sales by Geographic Region

The following tables present the components of the change in net sales by geographic region for the year ended December 31, 2018 compared with 2017 and for the year ended December 31, 2017 compared with 2016. 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 and organic dollar 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)	North America		EMEA		Latin America		APAC		Total	
2017 Net Sales	$2,415.0	54.1%	$984.7	22.1%	$409.3	9.2 %	$652.6	14.6 %	$4,461.6	
Volume – Units	14.2	0.6 %	15.1	1.5 %	23.4	5.7 %	15.0	2.3 %	67.7	1.5 %
Price/mix[(1)]	76.0	3.1 %	13.7	1.4 %	45.6	11.1 %	(2.3)	(0.4)%	133.0	3.0 %
Total organic change (non-U.S. GAAP)	90.2	3.7 %	28.8	2.9 %	69.0	16.8 %	12.7	1.9 %	200.7	4.5 %
Acquisition	43.8	1.8 %	—	— %	1.4	0.3 %	68.6	10.5 %	113.8	2.6 %
Total constant dollar change (non-U.S. GAAP)	134.0	5.5 %	28.8	2.9 %	70.4	17.1 %	81.3	12.4 %	314.5	7.1 %
Foreign currency translation	(0.1)	— %	24.5	2.5 %	(62.6)	(15.3)%	(5.2)	(0.8)%	(43.4)	(1.0)%
Total change (U.S. GAAP)	133.9	5.5 %	53.3	5.4 %	7.8	1.8 %	76.1	11.6 %	271.1	6.1 %
2018 Net Sales	$2,548.9	53.9%	$1,038.0	21.9%	$417.1	8.8 %	$728.7	15.4 %	$4,732.7	

(In millions)	North America		EMEA		Latin America		APAC		Total	
2016 Net Sales	$2,237.8	53.1%	$962.7	22.9 %	$396.8	9.4%	$614.0	14.6 %	$4,211.3	
Volume – Units	161.4	7.2 %	12.9	1.3 %	5.9	1.5%	8.6	1.4 %	188.8	4.5%
Price/mix[(1)]	12.9	0.6 %	(7.9)	(0.8)%	4.0	1.0%	(1.0)	(0.2)%	8.0	0.2%
Total organic change (non-U.S. GAAP)	174.3	7.8 %	5.0	0.5 %	9.9	2.5%	7.6	1.2 %	196.8	4.7%
Acquisition	—	— %	—	— %	—	— %	23.6	3.8 %	23.6	0.6%
Total constant dollar change (non-U.S. GAAP)	174.3	7.8 %	5.0	0.5 %	9.9	2.5%	31.2	5.0 %	220.4	5.3%
Foreign currency translation	2.9	0.1 %	17.0	1.8 %	2.6	0.7%	7.4	1.2 %	29.9	0.7%
Total change (U.S. GAAP)	177.2	7.9 %	22.0	2.3 %	12.5	3.2%	38.6	6.2 %	250.3	6.0%
2017 Net Sales	$2,415.0	54.1%	$984.7	22.1 %	$409.3	9.2%	$652.6	14.6 %	$4,461.6	

(1) 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 our segment reporting structure for the year ended December 31, 2018 compared with 2017 and for the year ended December 31, 2017 compared with 2016. 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 and organic dollar measures aids in the comparability between periods as it eliminates the volatility of changes in foreign currency exchange rates and eliminations large fluctuations due to acquisitions or divestiture.

(In millions)	Food Care		Product Care		Total Company	
2017 Net Sales	$2,815.2	63.1 %	$1,646.4	36.9%	$4,461.6	
Volume – Units	63.1	2.2 %	4.6	0.3 %	67.7	1.5 %
Price/mix[1]	82.3	2.9 %	50.7	3.1 %	133.0	3.0 %
Total organic change (non-U.S. GAAP)	145.4	5.1 %	55.3	3.4 %	200.7	4.5 %
Acquisitions	—	— %	113.8	6.9 %	113.8	2.6 %
Total constant dollar change (non-U.S. GAAP)	145.4	5.1 %	169.1	10.3%	314.5	7.1 %
Foreign currency translation	(52.5)	(1.9)%	9.1	0.6 %	(43.4)	(1.0)%
Total change (U.S. GAAP)	92.9	3.2 %	178.2	10.9%	271.1	6.1 %
2018 Net Sales	$2,908.1	61.4 %	$1,824.6	38.6%	$4,732.7	

(In millions)	Food Care		Product Care		Total Company	
2016 Net Sales	$2,686.8	63.8%	$1,524.5	36.2%	4,211.3	
Volume – Units	102.6	3.8 %	86.2	5.7 %	$188.8	4.5%
Price/mix[1]	(0.7)	— %	8.7	0.6 %	8.0	0.2%
Total organic change (non-U.S. GAAP)	101.9	3.8 %	94.9	6.3 %	196.8	4.7%
Acquisitions	—	— %	23.6	1.5 %	23.6	0.6%
Total constant dollar change (non-U.S. GAAP)	101.9	3.8 %	118.5	7.8 %	220.4	5.2%
Foreign currency translation	26.5	1.0 %	3.4	0.2 %	29.9	0.7%
Total change (U.S. GAAP)	128.4	4.8 %	121.9	8.0 %	250.3	5.9%
2017 Net Sales	$2,815.2	63.1%	$1,646.4	36.9%	$4,461.6	

(1) 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 product 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.

Food Care

2018 compared with 2017

As reported, net sales increased $93 million, or 3%, in 2018 compared with 2017. On a constant dollar basis, net sales increased $145 million, or 5%, in 2018 compared with 2017 primarily due to the following:

- favorable price/mix of $82 million, primarily in North America and Latin America; and
- higher unit volumes of $63 million across all regions.

2017 compared with 2016

As reported, net sales increased $128 million, or 5% in 2017 compared with 2016, of which $27 million was due to positive currency impact. On a constant dollar basis, net sales increased $102 million, or 4% in 2017 compared with 2016 primarily due to the following:

- higher unit volumes of $117 million, reflecting an increase in North America on strong demand of protein packaging and more modest increases in EMEA and Latin America.

This was partially offset by:

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- lower unit volumes in APAC of $14 million primarily due to the continuation of historically low slaughter rates in Australia; and
- unfavorable price/mix of $1 million.

Product Care

2018 compared with 2017

As reported, net sales increased $178 million, or 11%, in 2018 compared with 2017, of which $9 million was due to positive currency impact. On a constant dollar basis, net sales increased $169 million, or 10% in 2018 compared with 2017 primarily due to the following:

- $114 million increase in sales due to the acquisitions of Fagerdala and AFP;
- favorable price/mix of $51 million, primarily in North America; and
- higher unit volumes of $6 million across EMEA, North America and Latin America.

This was partially offset by:

- lower organic unit volumes of $2 million in APAC.

2017 compared with 2016

As reported, net sales increased $122 million, or 8%, in 2017 compared with 2016, of which $3 million was due to positive currency impact. On a constant dollar basis, net sales increased $119 million, or 8% in 2017 compared with 2016 primarily due to the following:

- incremental sales resulting from the acquisition of Fagerdala in Singapore of $24 million;
- higher unit volumes of $86 million across all regions, primarily in North America due to ongoing strength in the e-Commerce and third-party logistics markets as well as increased volume units in APAC; and
- favorable price/mix of $9 million.

Cost of Sales

Cost of sales for three years ended December 31, were as follows:

	Year Ended December 31,			2018 vs. 2017	2017 vs. 2016
(In millions)	2018	2017	2016	% Change	% Change
Net sales	$4,732.7	$4,461.6	$4,211.3	6.1 %	5.9 %
Cost of sales	3,230.6	3,049.5	2,810.3	5.9 %	8.5 %
As a % of net sales	68.3 %	68.3 %	66.7 %		

2018 compared with 2017

As reported, cost of sales increased by $181 million, or 6%, in 2018 as compared to 2017. Cost of sales was impacted by favorable foreign currency translation of $32 million. On a constant dollar basis, cost of sales increased $213 million, or 7%, primarily due to higher raw material costs on increased sales volumes, non-material inflation and freight costs and increase costs due to acquisitions. Cost of sales as a percentage of our net sales was consistent in both years.

2017 compared with 2016

As reported, cost of sales increased by $239 million, or 9%, in 2017 as compared to 2016. Cost of sales was impacted by unfavorable foreign currency translation of $23 million. On a constant dollar basis, cost of sales increased $216 million, or 8%, primarily due to higher raw material costs on increased sales volumes, non-material inflation and freight costs and increase costs due to acquisitions. Cost of sales as a percentage of net sales increased by 160 basis points, primarily on higher input costs.

Selling, General and Administrative Expenses

Selling, general and administrative ("SG&A") expenses for three years ended December 31, are included in the table below.

(In millions)	Year Ended December 31, 2018	2017	2016	2018 vs. 2017 % Change	2017 vs. 2016 % Change
Selling, general and administrative expenses	$782.3	$815.6	$754.3	(4.1)%	8.1 %
As a % of net sales	16.5 %	18.3 %	17.9 %		

2018 compared with 2017

As reported, SG&A expenses decreased $33 million, or 4%, in 2018 as compared to 2017. SG&A expenses were impacted by favorable foreign currency translation of $1 million. On a constant dollar basis, SG&A expenses decreased $34 million, or 4%. This is primarily driven by higher costs in the prior year due to the sale of Diversey.

2017 compared with 2016

As reported, SG&A expenses increased $61 million, or 8%, in 2017 as compared to 2016. SG&A expenses were impacted by unfavorable foreign currency translation of $5 million. On a constant dollar basis, SG&A expenses increased $57 million, or 8%, primarily related to cost associated with sale of Diversey as well as salary and wage inflation.

Amortization Expense of Intangible Assets Acquired

Amortization expense of intangible assets acquired for the years ended December 31, were as follows:

(In millions)	Year Ended December 31, 2018	2017	2016	2018 vs. 2017 % Change	2017 vs. 2016 % Change
Amortization expense of intangible assets acquired	$15.7	$13.1	$15.0	19.8 %	(12.7)%
As a % of net sales	0.3 %	0.3 %	0.4 %		

The increase in amortization expense of intangibles for the year ended December 31, 2018 was primarily related to the acquisition of Fagerdala.

From 2017 to 2016 amortization expenses decreased $2 million, or 13%, primarily related to assets which were separated as part of the sale of Diversey.

Restructuring Activities

See Note 10, "Restructuring Activities," of the Notes to 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 year ended December 31, 2018.

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."

In December 2018 the Sealed Air Board of Directors approved a three-year restructuring program ("New Program") to drive total annualized savings by the end of 2021 in the range of $215 to $235 million. The total cash cost of the New Program is estimated to be in the range of $190 to $220 million, which will be incurred primarily in 2019 and 2020. Sealed Air will combine the New Program with its existing restructuring program ("Program") which was largely related to the elimination of stranded costs. The Program is estimated to generate incremental cost savings of $240 million to $260 million by the end of 2021, compared with the savings run rate achieved by the end of 2018. For the year ended December 31, 2018, the Program generated incremental cost savings of $44 million, primarily in selling, general and administrative expenses.

The actual timing of future costs and cash payments related to the Program described above 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 years ended December 31, was as follows:

	Year Ended December 31,			2018 vs. 2017	2017 vs. 2016
(In millions)	2018	2017	2016	Change	Change
Interest expense on our various debt instruments:					
Term Loan A due July 2017[1]	$—	$3.6	$5.2	$(3.6)	$(1.6)
Term Loan A due July 2023[2]	8.9	18.6	19.9	(9.7)	(1.3)
Revolving credit facility due July 2023[2]	1.9	2.4	2.4	(0.5)	—
6.50% Senior Notes due December 2020	28.1	28.1	27.7	—	0.4
4.875% Senior Notes due December 2022	21.5	21.5	21.4	—	0.1
5.25% Senior Notes due April 2023	23.1	23.0	23.0	0.1	—
4.50% Senior Notes due September 2023	21.8	21.0	20.4	0.8	0.6
5.125% Senior Notes due December 2024	22.4	22.3	22.3	0.1	—
5.50% Senior Notes due September 2025	22.4	22.3	22.3	0.1	—
6.875% Senior Notes due July 2033	31.0	31.0	31.0	—	—
Other interest expense	18.2	18.3	14.7	(0.1)	3.6
Less: capitalized interest	(6.3)	(10.3)	(10.9)	4.0	0.6
Less: interest income	(15.1)	(17.6)	(7.5)	2.5	(10.1)
Total	$177.9	$184.2	$191.9	$(6.3)	$(7.7)

(1) We repaid the notes upon maturity in July 2017.

(2) On July 12, 2018, the Company and certain of its subsidiaries entered into the Third Amended and Restated Credit Agreement. See Note 12, "Debt and Credit Facilities," of the Notes to Consolidated Financial Statements for further details.

Other (Expense) Income, net

See Note 21, "Other (Expense) Income, net," of the Notes to Consolidated Financial Statements for the components and discussion of other income, net.

Income Taxes

The table below shows our effective income tax rate ("ETR").

Year Ended	Effective Tax Rate
2018	67.2 %
2017	84.0 %
2016	24.6 %

Our effective income tax rate for the year ended December 31, 2018 was 67.2%. The TCJA had a significant impact on our income tax expense for the year ended December 31, 2018. The 2018 effective tax rate includes the benefit of a lower U.S. corporate income tax rate of 21% and also reflects $222 million of expense for tax related to the one-time mandatory tax on

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previously deferred foreign earnings of U.S subsidiaries under TCJA ("Transition Tax"). The difference between the Company's effective income tax rate and the U.S. statutory rate of 21% relates primarily to Transition Tax associated with the TCJA, the global intangible low-taxed income ("GILTI") provision enacted as part of the TCJA, state income taxes, and foreign earnings subject to higher tax rates, offset by tax benefit for reduction in valuation allowance related to tax initiatives.

Our effective income tax rate for the year ended December 31, 2017 was 84.0%. The annual effective income tax rate is higher than the statutory rate primarily as a result of expense related to the sale of Diversey, the revaluation of deferred tax assets as a result of the TCJA and an increase in unrecognized foreign tax benefits.

Our effective income tax rate for the year ended December 31, 2016 was 24.6%. The effective tax rate for the year ended December 31, 2016 is lower than the statutory rate primarily because of the mix of earnings and the change in our repatriation strategy.

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, tax credits, 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 refund associated with the 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 carryback 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. We reported a net increase in our valuation allowance for the year ended December 31, 2018, primarily related to foreign net operating losses. See Note 17, "Income Taxes," of the Notes to Consolidated Financial Statements for additional information.

We reported a net expense for unrecognized tax benefits in the year ended December 31, 2018 of $95 million, primarily related to North America tax positions, offset by statute of limitations lapses in other foreign jurisdictions. Interest and penalties on tax assessments are included in income tax expense.

Net Earnings from Continuing Operations

Net earnings from continuing operations for the years ended December 31, are included in the table below.

(In millions)	Year Ended December 31, 2018	2017	2016	2018 vs. 2017 % Change	2017 vs. 2016 % Change
Net earnings from continuing operations	$150.3	$62.8	$292.3	139.3 %	(78.5)%

For 2018, net earnings were unfavorably impacted by $251 million of Special Items. Special Items primarily related to Tax Special Items including $222 million of expense for the one-time Transition Tax, partially offset by the release of valuation allowances associated with tax initiatives. In addition, net earnings were unfavorably impacted by Special Items expenses primarily related to restructuring and other restructuring associated costs of $64 million ($50 million net of taxes), charges related to the sale of Diversey of $21 million ($14 million net of taxes) and expenses related to acquisition integrations and divestiture activities of $13 million ($10 million net of taxes), partially offset by gain on class-action litigation proceeds of $15 million ($12 million net of taxes).

For 2017, net earnings were unfavorably impacted by $280 million of Special Items, primarily related to Tax Special Items related to the sale of Diversey of $152 million, charges related to the sale of Diversey of $55 million ($29

million net of taxes) related to professional fees and restructuring, restructuring and other restructuring associated costs related to our restructuring program of $26 million ($21 million net of taxes) and other acquisition and divestiture activity of $16 million ($13 million net of taxes).

For 2016, net earnings were unfavorably impacted by $42 million of Special Items, including charges related ceasing operations in Venezuela of $49 million ($46 million net of taxes), restructuring and other restructuring associated costs related to our restructuring programs of $22 million ($17 million net of taxes), foreign currency exchange losses related to our Venezuelan subsidiaries of $2 million ($2 million net of taxes), and additional loss from the sale of our European food trays business and other divestitures of $2 million ($2 million net of taxes).

Net Earnings from Discontinued Operations

See Note 4, "Discontinued Operations, Divestitures and Acquisitions," of the Notes to 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 it is not included in the segment performance metric Adjusted EBITDA since restructuring and other charges and impairment of goodwill and other intangible assets are categorized as Special Items. The accounting policies of the reportable segments and Corporate are the same as those applied to the Consolidated Financial Statements.

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

	Year Ended December 31,			2018 vs. 2017	2017 vs. 2016
(In millions)	2018	2017	2016	% Change	% Change
Food Care	$577.8	$538.1	$520.1	7.4 %	3.5 %
Adjusted EBITDA Margin	19.9 %	19.1 %	19.4 %		
Product Care	318.6	292.2	284.8	9.0 %	2.6 %
Adjusted EBITDA Margin	17.5 %	17.7 %	18.7 %		
Corporate	(6.9)	3.0	4.3	(330.0)%	(30.2)%
Non-U.S. GAAP Total Company Adjusted EBITDA from continuing operations	$889.5	$833.3	$809.2	6.7 %	3.0 %
Adjusted EBITDA Margin	18.8 %	18.7 %	19.2 %		

The following is a discussion of the factors that contributed to the change in Adjusted EBITDA by segment in the three years ended December 31, 2018 as compared with the prior year.

Food Care

2018 compared with 2017

On a reported basis, Adjusted EBITDA increased $40 million in 2018 as compared to 2017. Adjusted EBITDA was impacted by unfavorable foreign currency translation of $14 million. On a constant dollar basis, Adjusted EBITDA increased $53 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 $33 million;
- $28 million of restructuring savings; and
- positive volume trends of $21 million.

These were partially offset by:

- higher non-material manufacturing costs and other costs of $28 million, including salary and wage inflation.

2017 compared with 2016

Adjusted EBITDA was impacted by favorable foreign currency translation of approximately $5 million. On a constant dollar basis, Adjusted EBITDA increased approximately $14 million, or 3%, in 2017 compared with the same period in 2016 primarily due to the impact of:

- positive volume trends of $44 million; and
- restructuring savings of $7 million.

These drivers were partially offset by:

- higher non-material manufacturing costs of $15 million, including salary and wage inflation; and
- unfavorable mix and price/cost spread of $22 million, primarily due to higher raw material and freight costs.

Product Care

2018 compared with 2017

On a reported basis, Adjusted EBITDA increased $26 million in 2018 as compared to 2017. Adjusted EBITDA was impacted by favorable foreign currency translation of $3 million. On a constant dollar basis, Adjusted EBITDA increased $24 million, or 8%, in 2018 compared with the same period in 2017 primarily due to the impact of:

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

This was partially offset by:

- higher costs of $9 million primarily driven by higher non-material manufacturing costs and other costs including salary and wage inflation offset by income from the acquisition of Fagerdala and AFP.

2017 compared with 2016

Adjusted EBITDA on a constant dollar and actual basis increased $7 million or 3% in 2017 compared to 2016 due to the impact of:

- positive volume trends of $37 million; and
- restructuring savings of $4 million.

These drivers were offset by:

- unfavorable mix and price/cost spread of $27 million primarily due to higher raw material and freight costs; and
- higher non-material manufacturing costs of $7 million including salary and wage inflation.

Corporate

2018 compared with 2017

Corporate expenses increased by $10 million on an as reported basis and constant dollar basis as compared with the same period in 2017, primarily due to foreign currency losses.

2017 compared with 2016

Adjusted EBITDA in Corporate was primary driven by foreign currency gains and pension income related to some of the closed defined benefit pension plans. Adjusted EBITDA attributable to Corporate decreased by approximately $1 million compared to the same period in 2016.

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

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

(In millions)	Year Ended December 31, 2018	2017	2016
Net earnings from continuing operations[1]	$150.3	$62.8	$292.3
Plus: Interest expense, net	(177.9)	(184.2)	(191.9)
Plus: Income tax provision	307.5	330.5	95.6
Plus: Depreciation and amortization[3]	(161.4)	(158.3)	(154.0)
Less: Depreciation and amortization adjustments	2.4	—	1.7
Plus Special Items:			
Restructuring and other charges[4]	(47.8)	(12.1)	(2.5)
Other restructuring associated costs	(15.8)	(14.3)	(19.8)
Foreign currency exchange loss due to highly inflationary economies	(2.5)	—	(1.7)
Charges related to ceasing operations in Venezuela[2]	—	—	(48.5)
Charges related to acquisition and divestiture activity	(13.3)	(15.5)	(1.8)
Charges incurred related to the sale of Diversey	(20.9)	(68.6)	(1.4)
Gain from class-action litigation settlement	14.9	—	—
Curtailment benefits related to retained Diversey retirement plans	—	13.5	—
Other Special Items[5]	(9.4)	(0.5)	(1.4)
Pre-tax impact of Special Items	(94.8)	(97.5)	(77.1)
Non-U.S. GAAP Total Company Adjusted EBITDA from continuing operations	$889.5	$833.3	$809.2

(1) The sign values of the individual line items are consistent with those presented on our Consolidated Statements of Operations, where applicable. Interest expense, net; Income tax provision; Depreciation and amortization, net of adjustments and total Pre-tax impact of Special Items should be added to net earnings from continuing operations to calculate Non-U.S. GAAP Total Company Adjusted EBTIDA from continuing operations.

(2) Due to the ongoing challenging economic situation in Venezuela, the Company approved a program in the second quarter of 2016 to cease operations in the country. Refer to Note 2 "Summary of Significant Accounting Policies and Recently Issued Accounting Standards," of the Notes to Consolidated Financial Statements for further details.

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

(In millions)	Year Ended December 31, 2018	2017	2016
Food Care	$105.4	$108.9	$110.0
Product Care	56.0	49.4	44.0
Total Company depreciation and amortization[i]	$161.4	$158.3	$154.0

(i) Includes share-based incentive compensation of $30 million, $38 million and $51 million for the years ended December 31, 2018, 2017 and 2016, respectively.

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

(In millions)	Year Ended December 31, 2018	2017	2016
Food Care	$17.7	$7.6	$1.6
Product Care	30.1	4.5	0.9
Total Company restructuring and other charges[i]	$47.8	$12.1	$2.5

(i)

For the year ended December 31, 2016 restructuring and other charges excludes $0.3 million related to severance and termination benefits for employees in our Venezuelan subsidiaries.

(5) Other Special Items for the year ended December 31, 2018 primarily included fees related to professional services. Other Special Items for the year ended December 31, 2017 primarily included transaction costs related to reorganizations. Other Special Items for the year ended December 31, 2016 primarily included legal fees associated with restructuring.

Liquidity and Capital Resources

Principal Sources of Liquidity

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

As of December 31, 2018, we had cash and cash equivalents of $272 million, of which approximately $215 million, or 79%, was located outside of the U.S. As of December 31, 2018, we had an immaterial amount of 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.

Material Commitments and Contingencies

Cryovac Transaction Commitments and Contingencies

The information set forth in Note 18, “Commitments and Contingencies,” of the Notes to Consolidated Financial Statements under the caption “Cryovac Transaction Commitments and Contingencies” is incorporated herein by reference.

Contractual Obligations

The following table summarizes our principal contractual obligations and sets forth the amounts of required or contingently required cash outlays in 2019 and future years:

	Payments Due by Years				
(In millions)	Total	2019	2020-2021	2022-2023	Thereafter
Contractual Obligations					
Short-term borrowings	$232.8	$232.8	$ —	$ —	$ —
Current portion of long-term debt exclusive of debt discounts and lender fees	4.9	4.9	—	—	—
Long-term debt, exclusive of debt discounts and lender fees	3,260.8	—	446.6	1,521.3	1,292.9
Total debt[1]	$3,498.5	$237.7	$ 446.6	$ 1,521.3	$ 1,292.9
Interest payments due on long-term debt[2]	1,088.2	174.3	318.3	242.9	352.7
Operating leases	97.3	28.5	34.8	17.0	17.0
First quarter 2019 quarterly cash dividend declared	24.9	24.9	—	—	—
Other principal contractual obligations	70.2	43.4	26.2	0.6	—
Total contractual cash obligations[3]	$4,779.1	$508.8	$ 825.9	$ 1,781.8	$ 1,662.6

(1) These amounts include principal maturities (at face value) only. These amounts also include our contractual obligations under capital leases of $7.3 million in 2019, $9.7 million in 2020-2021, $5.4 million in 2022-2023 and $15.2 million thereafter.

(2) Includes interest payments required under our senior notes issuances and Amended Credit Facility only. The interest payments included above for our Term Loan A were calculated using the following assumptions:

- interest rates based on stated rates based on LIBOR as of December 31, 2018; and
- all non-U.S. dollar balances are converted using exchange rates as of December 31, 2018.

(3) Obligations related to defined benefit pension plans and other post-employment benefit plans have been excluded from the table above, due to factors such as the retirement of employees, it is not reasonably possible to estimate when these obligations will become due. Refer to Note 15, "Profit Sharing, Retirement Savings Plans and Defined Benefit Pension Plans," and Note 16, "Other Post-Employment Benefits and Other Employee Benefit Plans," of the Notes to Consolidated Financial Statements for additional information related to these plans.

Current Portion of Long-Term Debt and Long-Term Debt — Represents the principal amount of the debt required to be repaid in each period.

Operating Leases — The contractual operating lease obligations listed in the table above represent estimated future minimum annual rental commitments primarily under non-cancelable real and personal property leases as of December 31, 2018.

Other Principal Contractual Obligations — Other principal contractual obligations include agreements to purchase an estimated amount of goods, including raw materials, or services, including energy, in the normal course of business. These obligations are enforceable and legally binding and specify all significant terms, including fixed or minimum quantities to be purchased, minimum or variable price provisions and the approximate timing of the purchase. The amounts included in the table above represent estimates of the minimum amounts we are obligated to pay, or reasonably likely to pay under these agreements. We may purchase additional goods or services above the minimum requirements of these obligations and, as a result use additional cash.

Liability for Unrecognized Tax Benefits

At December 31, 2018, we had liabilities for unrecognized tax benefits and related interest of $341 million. See Note 17, "Income Taxes," of the Notes to Consolidated Financial Statements for further discussion.

Off-Balance Sheet Arrangements

We have reviewed our off-balance sheet arrangements and have determined that none of those arrangements has a material current effect or is reasonably likely to have a material future effect on our Consolidated Financial Statements, liquidity, capital expenditures or capital resources.

Income Tax Payments

We expect tax payments to be approximately $130 million in 2019.

Contributions to Defined Benefit Pension Plans

We maintain defined benefit pension plans for some of our U.S. and our non-U.S. employees. We currently expect our contributions to these plans to be approximately $17 million in 2019. Additionally, we expect benefits related to our defined benefit pension plan paid directly by the Company to be $3 million in 2019. Refer to Note 15, "Profit Sharing, Retirement Savings Plans and Defined Benefit Pension Plans," of the Notes to Consolidated Financial Statements for additional information related to these plans.

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 do not take into account any discounting for the time value of money and are not reduced by potential insurance recoveries, if any. We do not believe that it is reasonably possible that the liability in excess of the amounts that we have accrued for environmental matters will be material to our consolidated financial position and results of operations. We reassess environmental liabilities whenever circumstances become better defined or we can better estimate remediation efforts and their costs. 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 consolidated financial condition and results of operations. We believe that we have adequately reserved for all probable and estimable environmental exposures.

Cash and Cash Equivalents

The following table summarizes our accumulated cash and cash equivalents:

	December 31,	
(In millions)	2018	2017
Cash and cash equivalents	$271.7	$594.0

See “Analysis of Historical Cash Flow” below.

Accounts Receivable Securitization Programs

At December 31, 2018, we had $150 million available to us under the programs of which we had $84 million 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 Consolidated Financial for information concerning these programs.

Lines of Credit

At December 31, 2018, we had a $1.0 billion revolving credit facility and $140 million of outstanding borrowings under the facility. At December 31, 2017, we had a $700 million revolving credit facility and no outstanding borrowings under the facility. See Note 12, “Debt and Credit Facilities,” of the Notes to Consolidated Financial for further details.

There were $233 million and $23 million total borrowings under the accounts receivable securitization programs, the revolving credit facility and borrowings under lines of credit available to several subsidiaries at December 31, 2018 and 2017, respectively. See Note 12, “Debt and Credit Facilities,” of the Notes to Consolidated Financial Statements for further details.

Covenants

At December 31, 2018, we were in compliance with our financial covenants and limitations, as discussed in “Covenants” of Note 12, “Debt and Credit Facilities,” of the Notes to 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 Services	Standard & 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 December 31, 2018 and 2017, our total debt outstanding consisted of the amounts set forth in the following table.

	December 31,	
(In millions)	2018	2017
Short-term borrowings	$232.8	$25.3
Current portion of long-term debt	4.9	2.2
Total current debt	237.7	27.5
Total long-term debt, less current portion[1]	3,236.5	3,230.5
Total debt	3,474.2	3,258.0
Less: Cash and cash equivalents	(271.7)	(594.0)
Net debt	$3,202.5	$2,664.0

(1) Amounts are net of unamortized discounts and debt issuance costs of $24 million as December 31, 2018 and $30 million as of December 31, 2017.

See Note 12, "Debt and Credit Facilities," of the Notes to Consolidated Financial for further details.

Analysis of Historical Cash Flow

The following table shows the changes in our Consolidated Statements of Cash Flows in the years ended December 31, 2018, 2017 and 2016.

	Year Ended December 31,		
(In millions)	2018	2017	2016
Net cash provided by operating activities	$428.0	$424.4	$906.9
Net cash (used in) provided by investing activities	(266.7)	1,786.1	(314.8)
Net cash used in financing activities	(478.3)	(1,889.7)	(544.5)
Effect of foreign currency exchange rate changes on cash and cash equivalents	(5.3)	(113.4)	(39.2)

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 years ended December 31, 2018, 2017 and 2016.

	Year Ended December 31,			2018 vs. 2017	2017 vs. 2016
(In millions)	2018	2017	2016	Change	Change
Cash flow provided by operating activities	$428.0	$424.4	$906.9	$ 3.6	$(482.5)
Capital expenditures	(168.6)	(183.8)	(275.7)	15.2	91.9
Free cash flow[1]	$259.4	$240.6	$631.2	$ 18.8	$(390.6)

(1) Free cash flow was $311 million in 2018 excluding the payment of charges related to the sale of Diversey of $52 million. Free cash flow was $421 million in 2017 excluding the payment of charges related to the sale of Diversey of $181 million. Free cash flow in 2017 also included cash flow generated from 8 months of Diversey prior to the sale.

Net Cash Provided by Operating Activities

2018

Net cash provided by operating activities of $428 million in 2018 was primarily attributable to:

- $193 million of net earnings, which included $182 million of non-cash adjustments to reconcile net earnings to net cash provided by operating activities, including $131 million in depreciation and amortization, $29 million in share-based incentive compensation expenses, other non-cash items and foreign currency losses and $22 million in profit sharing expenses partially offset by $43 million gain on the sale of Diversey;
- $89 million of changes in other liabilities and assets, the largest of which was a one-time payment in lieu of certain future royalty payments for patents, a reduction in the restructuring accrual and over accrual payroll and incentive compensation accruals compared to December 31, 2017; and

These were partially offset by:

- $16 million decrease in income tax payables primarily as a result of an increase in cash tax payments related to the sale of Diversey; and
- $20 million increase in working capital primarily due to an increase in inventory partially offset by an increase in accounts payable. This activity reflects the timing of inventory purchases and the related payments of cash.

2017

Net cash provided by operating activities of $424 million in 2017 was primarily attributable to:

- $815 million of net earnings, which included a reduction of $255 million of non-cash adjustments to reconcile net earnings to net cash provided by operating activities, including $641 million gain on the sale of Diversey, partially offset by adjustments for deferred taxes, depreciation and amortization, share-based incentive compensation expenses and profit sharing expenses;
- $55 million of changes in other liabilities and assets. This activity primarily reflects the timing of certain annual incentive compensation payments, reduction in restructuring activities due to the completion of programs; and
- $17 million increase in working capital due to an increase in accounts payable partially offset by a decrease in accounts receivable and inventory. This activity reflects the timing of inventory purchases and the related payments of cash along with the seasonality of sales and collections.

These were partially offset by:

- $207 million decrease in income tax payables primarily as a result of an increase in cash tax payments related to the sale of Diversey.

2016

Net cash provided by operating activities in 2016 of $907 million was primarily attributable to:

- $486 million of net earnings, which included $291 million of non-cash adjustments to reconcile net earnings to net cash provided by operating activities, including adjustments for depreciation and amortization, share-based incentive compensation expenses, and the reclassification of the cumulative translation adjustment related to the Company’s decision to cease its operations in Venezuela; and
- $177 million of changes in operating assets and liabilities, primarily reflecting an increase in accounts payable partially offset by a decrease in trade receivables and inventory. This activity reflects the utilization of financing agreements to extend external payment terms, timing of inventory purchases and the related payments of cash along with the seasonality of sales and collections.

These were partially offset by:

- $48 million of changes in other assets and liabilities. This was primarily attributable to changes in restructuring liabilities, an increase in leased assets and the timing of certain annual incentive compensation payments.

Net Cash Provided by (Used in) Investing Activities

2018

Net cash used in investing activities of $267 million in 2018 primarily consisted of the following:

- capital expenditures of $169 million;
- $68 million related to business acquisitions; and
- $11 million related to settlements of foreign currency forward contracts.

2017

Net cash provided by investing activities of $1.8 billion in 2017 primarily consisted of the following:

- impact from on the sale of Diversey of $2.2 billion, net of payments of debt of $777 million.

These were partially offset by:

- capital expenditures of $184 million;
- $119 million related to business acquisitions;
- $62 million due to the loss from settlement of cross currency swaps; and
- $9 million related to settlements of foreign currency forward contracts.

2016

Net cash used in investing activities in 2016 of $315 million primarily consisted of:

- capital expenditures of $276 million related to restructuring programs and capacity expansions to support growth in net sales. Capital expenditures related to our restructuring programs were $124 million in 2016, which primarily reflected activity related to the building of our global headquarters in Charlotte, North Carolina;
- cash paid on settlements of foreign currency forward contracts of $46 million; and
- cash paid for businesses acquired of $6 million.

These were partially offset by:

- proceeds from sale of business of $8 million; and
- proceeds from sales of property, plant and equipment of $5 million.

Net Cash Used in Financing Activities

2018

Net cash used in financing activities of $478 million in 2018 was primarily due to the following:

- repurchases of common stock of $583 million; and
- payments of quarterly dividends of $104 million.

These were partially offset by an increase in cash due to the use of short-term borrowing and credit facilities of $224 million.

2017

Net cash used in financing activities of $1.9 billion in 2017 was primarily due to the following:

- repurchases of common stock of $1.3 billion;
- 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 $120 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.

2016

Net cash used in financing activities of $545 million was primarily due to the following:

- repurchase of common stock of $217 million;
- decrease in short-term borrowings under our revolving credit facility, local lines of credit and accounts receivable securitization programs of $154 million;
- payments of quarterly dividends of $122 million;
- acquisition of common stock for tax withholding obligations relating to stock-based compensation of $31 million; and
- repayments of $27 million on Term Loan A.

These factors were partially offset by:

- proceeds received from the settlement of cross-currency swaps of $6 million.

Changes in Working Capital

	December 31,		
(In millions)	2018	2017	Change
Working capital (current assets less current liabilities)	$66.2	$488.2	$(422.0)
Current ratio (current assets divided by current liabilities)	1.0 x	1.4 x	
Quick ratio (current assets, less inventories divided by current liabilities)	0.7 x	1.0 x	

The $422 million, or 86%, decrease in working capital reflected:

- a decrease in cash and cash equivalents of $322 million due to high cash balance as of December 31, 2017 due to the proceeds received from the sale of Diversey; 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 due to final working capital adjustments related to the sale of Diversey and lower performance-based compensation accrual, partially offset by an increase for restructuring costs.

Changes in Stockholders' Equity (Deficit)

The $501 million, or 329%, decrease in stockholders' equity in 2018 compared with 2017 was due to:

- a net increase in shares held in treasury of $652 million and decrease in additional paid-in capital of $80 million due to the repurchase of common stock;
- dividends paid and accrued on our common stock of $103 million;
- cumulative translation adjustment of $50 million; and
- a net increase in accumulated other comprehensive loss of $29 million on unrecognized pension items due primarily to market conditions as of our annual pension valuation;

These were partially offset by:

- net earnings of $193 million;
- stock issued for profit sharing contribution paid in stock of $25 million;

- the effect of share-based incentive compensation of $21 million;
- the impact of recently adopted accounting standards to retained earnings of $3 million; and
- unrealized gains on derivative instruments of $18 million.

We repurchased approximately 14.9 million shares of our common stock year ended December 31, 2018 for $651.4 million See Note 19, “Stockholders’ Equity (Deficit),” of the Notes to Consolidated Financial Statements for further details.

Derivative Financial Instruments

Interest Rate Swaps

The information set forth in Note 13, “Derivatives and Hedging Activities,” of the Notes to Consolidated Financial Statements under the caption “Interest Rate Swaps” is incorporated herein by reference.

Interest Rate and Currency Swaps

The information set forth in Note 13, “Derivatives and Hedging Activities,” of the Notes to Consolidated Financial Statements under the caption “Interest Rate and Currency Swaps” is incorporated herein by reference.

Net Investment Hedge

The information set forth in Note 13, “Derivatives and Hedging Activities,” of the Notes to Consolidated Financial Statements under the caption “Net Investment Hedge” is incorporated herein by reference.

Other Derivative Instruments

The information set forth in Note 13, “Derivatives and Hedging Activities,” of the Notes to Consolidated Financial Statements under the caption “Other Derivative Instruments” is incorporated herein by reference.

Foreign Currency Forward Contracts

At December 31, 2018, we were party to foreign currency forward contracts, which did not have a significant impact on our liquidity.

The information set forth in Note 13, “Derivatives and Hedging Activities,” of the Notes to 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 Item 7A, “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, “Summary of Significant Accounting Policies and Recently Issued Accounting Standards,” which is contained in the Notes to Consolidated Financial Statements, describes these new accounting standards and is incorporated herein by reference.

Critical Accounting Policies and Estimates

Our discussion and analysis of our consolidated financial condition and results of operations are based upon our Consolidated Financial Statements, which are prepared in accordance with U.S. GAAP. The preparation of Consolidated Financial Statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities.

Our estimates and assumptions are evaluated on an ongoing basis and are based on all available evidence, including historical experience and other factors believed to be reasonable under the circumstances. To derive these estimates and

assumptions, management draws from those available sources that can best contribute to its efforts. These sources include our officers and other employees, outside consultants and legal counsel, third-party experts and actuaries. In addition, we use internally generated reports and statistics, such as aging of trade receivables, as well as outside sources such as government statistics, industry reports and third-party research studies. The results of these estimates and assumptions may form the basis of the carrying value of assets and liabilities and may not be readily apparent from other sources. Actual results may differ from estimates under conditions and circumstances different from those assumed, and any such differences may be material to our Consolidated Financial Statements.

We believe the following accounting policies are critical to understanding our consolidated results of operations and affect the more significant judgments and estimates used in the preparation of our Consolidated Financial Statements. The critical accounting policies discussed below should be read together with our significant accounting policies set forth in Note 2, "Summary of Significant Accounting Policies and Recently Issued Accounting Standards," of the Notes to Consolidated Financial Statements.

Commitments and Contingencies — Litigation

On an ongoing basis, we assess the potential liabilities and costs related to any lawsuits or claims brought against us. We accrue a liability when we believe a loss is probable and when the amount of loss can be reasonably estimated. Litigation proceedings are evaluated on a case-by-case basis considering the available information, including that received from internal and outside legal counsel, to assess potential outcomes. While it is typically very difficult to determine the timing and ultimate outcome of these actions, we use our best judgment to determine if it is probable that we will incur an expense related to the settlement or final adjudication of these matters and whether a reasonable estimation of the probable loss, if any, can be made. In assessing probable losses, we consider insurance recoveries, if any. We expense legal costs, including those legal costs expected to be incurred in connection with a loss contingency, as incurred. We have historically adjusted existing accruals as proceedings have continued, been settled or for which additional information has been provided on which to review the probability and measurability of outcomes, and will continue to do so in future periods. Due to the inherent uncertainties related to the eventual outcome of litigation and potential insurance recovery, it is possible that disputed matters may be resolved for amounts materially different from any provisions or disclosures that we have previously made.

Revenue Recognition

Our revenue earning activities primarily involve manufacturing and selling products. 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.

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 now effective.

We have the implemented the guidance using the modified retrospective method, in which the cumulative effect of initially applying the standard has been recognized as an adjustment to retained earnings. For the years ending

December 31, 2017 and December 31, 2016, the Company recognized revenue under ASC 605, under which the following criteria were used for revenue recognition: persuasive evidence that an arrangement exists, shipment has occurred, selling price is fixed or determinable, and collection is reasonably assured.

For Sealed Air, the determination of whether an arrangement meets the definition of a contract under ASC 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 ASC 606. The penalty for noncompliance must be significant relative to the minimum obligation. Fixed or minimum purchase obligations were 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.

Our efforts to adopt this standard focused on contract analysis at a regional level. We have concluded our assessment and identified the most significant impact was on the accounting for Free on Loan equipment in our Food Care division. Whereas previously we did not recognize revenue on Free on Loan equipment, under the new standard, we allocate revenue to that equipment and account for the lease component under ASC 840. ASC 606-10-15-4 states that a contract can be partially in scope of ASC 606 and partially in scope of another standard, in this case ASC 840. Sealed Air determined the proper accounting treatment for contracts with lease and non-lease components is to allocate the transaction price of the contract to the separate lease and non-lease components, account for the non-lease components of the contract under ASC 606 and account for the lease components of the contract under ASC 840. During the contract analysis we also evaluated how the transaction price would be allocated across the performance obligations. It highlighted the need to adjust our equipment accrual balance, within the Food Care division, to reflect the stand alone selling price of the equipment within our portfolio.

Leasing Activity

Sealed Air is involved in leasing activity as both a lessee and a lessor. Sealed Air is the lessor primarily for equipment used by our customers to meet their packaging needs. Sealed Air is the lessee of property used for production and for sales and administrative functions, including real property, buildings, manufacturing and office equipment, offices and automobiles. In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), ("ASU 2016-02") and issued subsequent amendments to the initial guidance, collectively, Topic 842. This ASU requires an entity to recognize a right-of-use asset ("ROU") 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. Minor modifications have also been made to lessor accounting in-line with revenue recognition guidance. The amendments also require certain quantitative and qualitative disclosures about leasing arrangements. The new standard is effective for us on January 1, 2019, with early adoption permitted. Entities are required to adopt ASC 842 using a modified retrospective transition method. Full retrospective transition is prohibited. The guidance permits an entity to apply the standard's transition provisions at either the beginning of the earliest comparative period presented in the financial statements or the beginning of the period of adoption (i.e., on the effective date). We will adopt the new standard on its effective date. We believe the most significant effects of adoption relate to: the recognition of new ROU assets and lease liabilities on our balance sheet for our office and equipment and real estate operating leases; and providing significant new disclosures about our leasing activities.

Similar to ASC 606 implementation, our efforts to adopt the ASC 842 standard have focused on lease collection and analysis at a regional and operational level. We first obtained a complete inventory of leases which are subject to ASC 842. We have also identified a system based solution which will become our central repository of global leases for which we are the lessee and assist with the required accounting. We are in the process of implementing the system based solution. Our process to adopt ASC 842 was led by a multi-discipline project team including expertise in technical accounting, information systems, operational leases and asset management and third-party consultants. We believe the various covenants stipulated in our debt agreements will not be negatively affected by the adoption of ASC 842. In the long term, ASC 842 may impact lease vs. buy decisions or whether we enter into operating or finance leases.

Impairment of Long-Lived Assets

For finite-lived intangible assets, such as customer relationships, contracts and intellectual property, and for other long-lived assets, such as property, plant and equipment, whenever impairment indicators are present, we perform a review for impairment. We calculate the undiscounted value of the projected cash flows associated with the asset, or asset group, and compare this estimated amount to the carrying amount. If the carrying amount is found to be greater, we record an impairment loss for the excess of book value over the fair value. In addition, in all cases of an impairment review, we re-evaluate the remaining useful lives of the assets and modify them as appropriate.

For indefinite–lived intangible assets, such as trademarks and trade names, each year and whenever impairment indicators are present, we determine the fair value of the asset and record an impairment loss for the excess of book value over fair value, if any. In addition, in all cases of an impairment review we re-evaluate whether continuing to characterize the asset as indefinite–lived is appropriate. We recorded no impairment to indefinite lived assets in the current year.

Goodwill

Goodwill is reviewed for possible impairment at least annually on a reporting unit level during the fourth quarter of each year. A review of goodwill may be initiated before or after conducting the annual analysis if events or changes in circumstances indicate the carrying value of goodwill may no longer be recoverable.
A reporting unit is the operating segment unless, at businesses one level below that operating segment - the “component” level - discrete financial information is prepared and regularly reviewed by management, and the component has economic characteristics that are different from the economic characteristics of the other components of the operating segment, in which case the component is the reporting unit.
In our annual impairment review, we may elect to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. In a qualitative assessment, we would consider the macroeconomic conditions, including any deterioration of general economic conditions, industry and market conditions, including any deterioration in the environment where the reporting unit operates, increased competition, changes in the products/services and regulator and political developments; cost of doing business; overall financial performance, including any declining cash flows and performance in relation to planned revenues and earnings in past periods; other relevant reporting unit specific facts, such as changes in management or key personnel or pending litigation, and events affecting the reporting unit, including changes in the carrying value of net assets.
If the results our qualitative assessment indicate it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, we are required to perform a quantitative assessment to determine the fair value of the reporting unit. We would then compare the fair value of each reporting unit to its carrying value, including the goodwill allocated to the reporting unit. If the fair value of the reporting unit exceeded its carrying value, there would be no indication of impairment. If the fair value of the reporting unit were less than the carrying value, an impairment charge would be recognized for the difference.
We derive an estimate of fair values for each of our reporting units using a combination of an income approach and appropriate market approaches, each based on an applicable weighting. We assess the applicable weighting based on such factors as current market conditions and the quality and reliability of the data. Absent an indication of fair value from a potential buyer or similar specific transactions, we believe that the use of these methods provides a reasonable estimate of a reporting unit’s fair value.
Fair value computed by these methods is arrived at using a number of factors, including projected future operating results, anticipated future cash flows, effective income tax rates, comparable marketplace data within a consistent industry grouping, and the cost of capital. There are inherent uncertainties, however, related to these factors and to our judgment in applying them to this analysis. Nonetheless, we believe that the combination of these methods provides a reasonable approach to estimate the fair value of our reporting units. The Company performed a qualitative assessment of the goodwill by reporting unit as of October 1, 2018, during the fourth quarter of 2018, and concluded it was more likely than not that the fair value of each of the reporting units exceeded its carrying amount. In the fourth quarter 2017, we performed a qualitative assessment and in the fourth quarter of 2016, we performed a quantitative test for all of our reporting units with allocated goodwill. No indication of goodwill impairment was identified in 2017 or 2016.
See Note 8, “Goodwill and Identifiable Intangible Assets, net,” of the Notes to Consolidated Financial Statements for details of our goodwill balance and the goodwill review performed in 2018, 2017 and 2016 and other related information.
Pensions
For a number of our current and former U.S. employees and our international employees, we maintain defined benefit pension plans. Under current accounting standards, we are required to make assumptions regarding the valuation of projected benefit obligations and the performance of plan assets for our defined benefit pension plans.
The projected benefit obligation and the net periodic benefit cost are based on third-party actuarial assumptions and estimates that are reviewed and approved by management on a plan-by-plan basis each fiscal year. The principal assumptions concern the discount rate used to measure the projected benefit obligation, the expected future rate of return on plan assets and the expected rate of future compensation increases. We revise these assumptions based on an annual evaluation of long-term trends and market conditions that may have an impact on the cost of providing retirement benefits.

In determining the discount rate, we utilize market conditions and other data sources management considers reasonable based upon the profile of the remaining service life of eligible employees. The expected long-term rate of return on plan assets is determined by taking into consideration the weighted-average expected return on our asset allocation, asset return data,

historical return data, and the economic environment. We believe these considerations provide the basis for reasonable assumptions of the expected long-term rate of return on plan assets. The rate of compensation increase is based on our long-term plans for such increases. The measurement date used to determine the benefit obligation and plan assets is December 31.

At December 31, 2018, the total projected benefit obligation for our U.S. pension plan was $182 million, and the total benefit expense for the year ended December 31, 2018 was $0.5 million. At December 31, 2018, the total projected benefit obligation for our international pension plans was $634 million, and the total benefit income for the year ended December 31, 2018 was $5 million. The employer service cost of our pension plans is charged to Cost of sales and Selling, general and administrative expenses. All other components of benefits expense are recorded to other (expense) income, net.

In general, material changes to the principal assumptions could have a material impact on the costs and liabilities recognized on our Consolidated Financial Statements. A 25 basis point change in the assumed discount rate and a 100 basis point change in the expected long-term rate of return on plan assets would have resulted in the following increases (decreases) in the projected benefit obligation at December 31, 2018 and the expected net periodic benefit cost for the year ending December 31, 2019:

United States	25 Basis Point Increase (in millions)	25 Basis Point Decrease (in millions)
Discount Rate		
Effect on 2018 projected benefit obligation	$ (4.7)	$ 4.9
Effect on 2019 expected net periodic benefit cost	—	—
	100 Basis Point Increase (in millions)	100 Basis Point Decrease (in millions)
Return on Assets		
Effect on 2019 expected net periodic benefit cost	$ (1.2)	$ 1.2

International	25 Basis Point Increase (in millions)	25 Basis Point Decrease (in millions)
Discount Rate		
Effect on 2018 projected benefit obligation	$ (22.9)	$ 24.3
Effect on 2019 expected net periodic benefit cost	(0.2)	0.2
	100 Basis Point Increase (in millions)	100 Basis Point Decrease (in millions)
Return on Assets		
Effect on 2019 expected net periodic benefit cost	$ (5.3)	$ 5.3

Income Taxes

Estimates and judgments are required in the calculation of tax liabilities and in the determination of the recoverability of our deferred tax assets. Our deferred tax assets arise from net deductible temporary differences, tax benefit carryforwards and tax credits. We evaluate whether our taxable earnings, during the periods when the temporary differences giving rise to deferred tax assets become deductible or when tax benefit carryforwards may be utilized, should be sufficient to realize the related future income tax benefits. For those jurisdictions where the expiration dates of tax benefit carryforwards or the projected taxable earnings indicate that realization is not likely, we provide a valuation allowance.

In assessing the need for a valuation allowance, we estimate future taxable earnings, with consideration for the feasibility of ongoing planning strategies and the realizability of tax benefit carryforwards and past operating results, to determine which deferred tax assets are more likely than not to be realized in the future. Changes to tax laws, statutory tax rates and future taxable earnings can have an impact on valuation allowances related to deferred tax

assets. In the event that actual results differ from these estimates in future periods, we may need to adjust the valuation allowance, which could have a material impact on our consolidated financial position and results of operations.

In calculating our worldwide provision for income taxes, we also evaluate our tax positions for years where the statutes of limitations have not expired. Based on this review, we may establish reserves for additional taxes and interest that could be assessed upon examination by relevant tax authorities. We adjust these reserves to take into account changing facts and circumstances, including the results of tax audits and changes in tax law. If the payment of additional taxes and interest

ultimately proves unnecessary or less than the amount of the reserve, the reversal of the reserves would result in tax benefits being recognized in the period when we determine the reserves are no longer necessary. If an estimate of tax reserves proves to be less than the ultimate assessment, a further charge to income tax provision would result. These adjustments to reserves and related expenses could materially affect our consolidated financial position and results of operations.

We recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized on the Consolidated Financial Statements from such positions are measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon settlement with tax authorities. See Note 17, “Income Taxes,” of the Notes to Consolidated Financial Statements for further discussion.

Item 7A. 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 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 December 31, 2018, we had no outstanding interest rate swaps, collars or options.

The information set forth in Note 13, “Derivatives and Hedging Activities,” of the Notes to Consolidated Financial Statements under the caption “Interest Rate Swaps,” is incorporated herein by reference.

See Note 14, “Fair Value Measurements and Other Financial Instruments,” of the Notes to 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 $77 million in the fair value of the total debt balance at December 31, 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 consolidated financial condition and results of operations in the future. See Item 7, “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 ceased operations in the country in 2016 and has an insignificant amount of operations in the country, including sales derived from the country and cash. This resulted in total costs of $49 million being incurred which included the following (i) a voluntary reduction in headcount including severance and termination benefits for employees of less than $1 million, (ii) depreciation and amortization expense related to fixed assets and intangibles of $1 million, (iii) inventory reserves of less than $1 million and (iv) income tax expense of $1 million and (v) the reclassification of $47 million of cumulative translation adjustment resulting in a charge to net income as the Company’s decision to cease operations is similar to a substantially complete liquidation. As of December 31, 2018, we do not believe the economic and political events in Venezuela will have a material impact on our 2019 results of operations.

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 was designated as a highly-inflationary economy. From the date of this designation through December 31, 2018, we recognized $2 million of net foreign currency exchange losses in net foreign exchange transaction loss, within other (expense) income, net on the Consolidated Statements of Operations, primarily related to the designation of Argentina as a highly inflationary economy under U.S GAAP. See Note 2, “Summary of Significant Accounting Policies and Recently Issued Accounting Standards” of the Notes to Consolidated Financial Statements for additional information. As of December 31, 2018, 1% of our consolidated net sales were derived from our products sold in Argentina and net assets include $3 million of cash and cash equivalents. Also, as of December 31, 2018, our Argentina subsidiaries had cumulative translation losses 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. As of December 31, 2018, we do not anticipate these events will have a material impact to our 2019 result of operations. As of December 31, 2018, 2% of our consolidated net sales were derived from products sold into Russia and net assets include $6 million of cash and cash equivalents. Also, as of December 31, 2018, our Russia subsidiaries had cumulative translation losses of $33 million.

Brazil

Recent economic events in Brazil, including the increase in the benchmark interest rate set by the Brazilian Central Bank, have exposed us to heightened levels of foreign currency exchange risks. However, as of December 31, 2018, we do not anticipate these events will have a material impact on our 2019 results of operations. As of December 31, 2018, 3% of our consolidated net sales were derived from products sold into Brazil and net assets include $10 million of cash and cash equivalents. Also, as of December 31, 2018, our Brazil subsidiaries had cumulative translation losses of $40 million.

United Kingdom

The United Kingdom is in the process of exiting the European Union, which is currently scheduled for March 2019 (referred to as "Brexit"). Although the final terms of the withdrawal are not yet known, we continue to assess the risk and impact of the United Kingdom's exit from the European Union on our operations, controls, and financial performance.

Brexit may impact the way we currently serve our customers in the United Kingdom and in Ireland, as we expect the United Kingdom's exit from the European Union to reduce efficiencies associated with serving customers in these countries from a central location. We are monitoring our processes as well as operating and legal entity structure to continue to efficiently address changes that may arise from Brexit including: customs processing and clearance, transit and logistics time and potential updates to terms and conditions present within our customer contracts. We continue to monitor inventory levels including any incremental stock that may be required to minimize disruptions to our business and our customers' business.

Brexit may also require us to tighten credit controls that will have adverse impact on our sales and bad debt expense. Continued devaluation of the Sterling will have a negative impact on our financial results reported in US Dollar. However, as of December 31, 2018, we do not anticipate these events will have a material impact on our 2019 results of operations. As of December 31, 2018, 4% of our consolidated net sales were derived from products sold into United Kingdom. Net assets in the United Kingdom include $3 million of cash and cash equivalents and $10 million in inventory. Also, as of December 31, 2018, our United Kingdom subsidiaries had cumulative translation adjustment losses of $32 million.

A large concentration of the Company's defined benefit plans is in the United Kingdom. Approximately 35% of the Company's projected benefit obligation and 45% of defined benefit plan assets are in the United Kingdom. Market volatility could have a negative impact on both our plan assets and our benefit obligations. However, our plan assets

and obligations presented in our Consolidated Balance Sheets and in Note 15, "Profit Sharing, Retirement Savings Plan and Defined Benefit Plans," of the Notes to Consolidated Financial Statements are valued as of December 31, 2018. We believe that the market and associated impacts on the value of our plan assets and assumptions used to determine the projected benefit obligation reflect the uncertainties related to Brexit. The Company and the Plans' Trustees have employed de-risking strategies in the defined benefit asset portfolios to reduce market volatility risk, interest rate risk and future cash flow risk. Our defined benefit assets in the United Kingdom are diversified between international equities, fixed income investments, and insurance buy-in contracts which all help mitigate market volatility risk.

We have deployed a cross functional project team working to mitigate the impact and risk associated with Brexit. We continue to monitor the progress of the final terms of the United Kingdom's exit from the European Union along with associated impacts to our business.

Impact of Inflation and Currency Fluctuation

Economic and political events in certain countries have exposed us to heightened levels of inflation and foreign currency exchange risks. The effects of these could impact our financial condition and results of operations. See Note 2, “Summary of Significant Accounting Policies and Recently Issued Accounting Standards” in the Notes to Consolidated Financial Statements for details regarding the impact of inflation and currency fluctuation. Also, for a discussion of our risk factors, please refer to Part II, Item 1A, “Risk Factors.”

Foreign Currency Forward Contracts

We use foreign currency forward contracts to fix the amounts payable or receivable on some transactions denominated in foreign currencies. A hypothetical 10% adverse change in foreign exchange rates at December 31, 2018 would have caused us to pay approximately $42 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 13, “Derivatives and Hedging Activities,” which is contained in the Notes to Consolidated Financial Statements, and in “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — Derivative Financial Instruments — Foreign Currency Forward Contracts,” contained in Part II, Item 7 of this Annual Report on Form 10-K, which information is incorporated herein by reference.

Net Investment Hedge

The €400 million 4.50% notes issued in June 2015 are designated as a net investment hedge, hedging a portion of our net investment in a certain European subsidiary against fluctuations in foreign exchange rates. The change in the fair value of the debt was $8 million ($6 million net of tax) as of December 31, 2018, and is reflected in long-term debt on our 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 recorded in accumulated other comprehensive loss ("AOCL").

For derivative instruments that are designated and qualify as hedges of net investments in foreign operations, settlements and changes in fair values of the derivative instruments are recognized in unrealized net gains or loss on derivative instruments for net investment hedge, a component of accumulated other comprehensive loss, net of taxes, to offset the changes in the values of the net investments being hedged. Any portion of the net investment hedge that is determined to be ineffective is recorded in other income, net on the 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 $590 million at December 31, 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 $2 million for the years ended December 31, 2018, and less than $1 million for the years ended December 31, 2017 and 2016, respectively. The allowance for doubtful accounts was $9 million and $7 million at December 31, 2018 and 2017, respectively.

Pensions

Recent market conditions have resulted in an unusually high degree of volatility and increased risks and short-term liquidity concerns associated with some of the plan assets held by our defined benefit pension plans, which have impacted the performance of some of the plan assets. Based upon the annual valuation of our defined benefit pension plans at December 31, 2018, we expect net periodic benefit expense to be less than $1 million in 2019. See Note 15, “Profit Sharing, Retirement Savings Plans and Defined Benefit Pension Plans,” of the Notes to Consolidated Financial Statements for further details on our defined benefit pension plans.

Commodities

We use various commodity raw materials such as plastic resins and other chemicals and energy products such as electric power and natural gas in conjunction with our manufacturing processes. Generally, we acquire these components at market prices in the region in which they will be used and do not use financial instruments to hedge commodity prices. Moreover, we seek to maintain appropriate levels of commodity raw material inventories thus minimizing the expense and risks of carrying excess inventories. We do not typically purchase substantial quantities in advance of production requirements. As a result, we are exposed to market risks related to changes in commodity prices of these components.

Item 8. Financial Statements and Supplementary Data

The following Consolidated Financial Statements and notes are filed as part of this report.

Sealed Air Corporation

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
Sealed Air Corporation

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Sealed Air Corporation and subsidiaries (the Company) as of December 31, 2018 and 2017, the related consolidated statements of operations, comprehensive income, stockholders' equity (deficit) and cash flows for each of the three years in the period ended December 31, 2018 and the related notes and financial statement schedule listed in the Index at Item 15(a)(2) (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2018, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 19, 2019 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2015.

Charlotte, North Carolina
February 19, 2019

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
Sealed Air Corporation

Opinion on Internal Control over Financial Reporting

We have audited Sealed Air Corporation and subsidiaries' internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Sealed Air Corporation and subsidiaries (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2018 and 2017 and the related consolidated statements of operations, comprehensive income, stockholders' equity (deficit) and cash flows for each of the three years in the period ended December 31, 2018, and the related notes and financial statement schedule listed in the Index at Item 15(a)(2) and our report dated February 19, 2019 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

Charlotte, North Carolina
February 19, 2019

SEALED AIR CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

(In millions)	December 31, 2018	December 31, 2017
ASSETS		
Current assets:		
Cash and cash equivalents	$ 271.7	$ 594.0
Trade receivables, net of allowance for doubtful accounts of $9.1 in 2018 and $6.5 in 2017	473.4	552.4
Income tax receivables	58.4	85.1
Other receivables	81.3	90.2
Inventories, net of inventory reserves of $18.1 in 2018 and $15.5 in 2017	544.9	506.8
Assets held for sale	0.6	4.0
Prepaid expenses and other current assets	124.5	33.9
Total current assets	1,554.8	1,866.4
Property and equipment, net	1,036.2	998.4
Goodwill	1,947.6	1,939.8
Identifiable intangible assets, net	101.7	83.6
Deferred taxes	170.5	176.2
Other non-current assets	239.4	215.9
Total assets	$ 5,050.2	$ 5,280.3
LIABILITIES AND STOCKHOLDERS' (DEFICIT) EQUITY		
Current liabilities:		
Short-term borrowings	$ 232.8	$ 25.3
Current portion of long-term debt	4.9	2.2
Accounts payable	765.0	723.8
Current liabilities held for sale	—	2.2
Accrued restructuring costs	33.5	15.4
Income tax payable	23.5	47.3
Other current liabilities	428.9	562.0
Total current liabilities	1,488.6	1,378.2
Long-term debt, less current portion	3,236.5	3,230.5
Deferred taxes	20.4	28.5
Other non-current liabilities	653.3	490.8
Total liabilities	5,398.8	5,128.0
Commitments and Contingencies - Note 18		
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: 231,619,037 in 2018 and 230,080,944 in 2017; shares outstanding: 155,654,370 in 2018 and 168,595,521 in 2017	23.2	23.0
Additional paid-in capital	2,049.6	1,939.6
Retained earnings	1,835.5	1,735.2
Common stock in treasury, 75,964,667 shares in 2018 and 61,485,423 shares in 2017	(3,336.5)	(2,700.6)
Accumulated other comprehensive loss, net of taxes:		
Unrecognized pension items	(136.4)	(103.4)
Cumulative translation adjustment	(744.8)	(694.4)
Unrealized net loss on net investment hedges	(41.9)	(46.8)

Unrealized net gain (loss) on cash flow hedges	2.7	(0.3)
Total accumulated other comprehensive loss, net of taxes	(920.4)	(844.9)
Total stockholders' (deficit) equity	(348.6)	152.3
Total liabilities and stockholders' (deficit) equity	$ 5,050.2	$ 5,280.3

See accompanying Notes to Consolidated Financial Statements.

SEALED AIR CORPORATION AND SUBSIDIARIES

Consolidated Statements of Operations

	Year Ended December 31,		
(In millions, except per share data)	2018	2017	2016
Net sales	$4,732.7	$4,461.6	$4,211.3
Cost of sales[1][2]	3,230.6	3,049.5	2,810.3
Gross profit	1,502.1	1,412.1	1,401.0
Selling, general and administrative expenses	782.3	815.6	754.3
Amortization expense of intangible assets acquired	15.7	13.1	15.0
Restructuring and other charges	47.8	12.1	2.8
Operating profit	656.3	571.3	628.9
Interest expense, net	(177.9)	(184.2)	(191.9)
Foreign currency exchange loss due to highly inflationary economies	(2.5)	—	(1.7)
Charge related to Venezuelan subsidiaries[3]	—	—	(47.3)
Other (expense) income, net[1][2]	(18.1)	6.2	(0.1)
Earnings before income tax provision	457.8	393.3	387.9
Income tax provision	307.5	330.5	95.6
Net earnings from continuing operations	150.3	62.8	292.3
Gain on sale of discontinued operations, net of tax	42.8	640.7	—
Net earnings from discontinued operations, net of tax	—	111.4	194.1
Net earnings	$193.1	$814.9	$486.4
Basic:			
Continuing operations	$0.94	$0.34	1.50
Discontinued operations	0.27	3.99	0.99
Net earnings per common share - basic	$1.21	$4.33	$2.49
Diluted:			
Continuing operations	$0.94	$0.33	$1.48
Discontinued operations	0.26	3.96	0.98
Net earnings per common share - diluted	$1.20	$4.29	$2.46
Dividends per common share	$0.64	$0.64	$0.61
Weighted average number of common shares outstanding:			
Basic	159.4	186.9	194.3
Diluted	160.2	188.9	197.2

See accompanying Notes to Consolidated Financial Statements.

(1) Due to the adoption of ASU 2017-07, certain amounts related to defined benefit and other post-employment benefit plans were reclassified from cost of sales to other expense, net. Refer to Note 2, "Recently Adopted and Issued Accounting Standards," in the Notes to Consolidated Financial Statements for more information.

(2) As part of our review of costs included in the corporate segment, amounts related to division operations were identified and reclassified out of other expense, net to cost of sales. The impact for the years ended December 31, 2017 and 2016 was $8.1 million and $6.4 million, respectively.

(3) Due to the ongoing challenging economic situation in Venezuela, the Company approved a program in the second quarter of 2016 to cease operations in the country. Refer to Note 2, “Summary of Significant Accounting Policies and Recently Issued Accounting Standards” under the “Impact of Inflation and Currency Fluctuation” section of the Notes to the Consolidated Financial Statements for further details.

SEALED AIR CORPORATION AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

(In millions)	Year Ended December 31, 2018			2017			2016		
	Gross	Taxes	Net	Gross	Taxes	Net	Gross	Taxes	Net
Net earnings			$193.1			$814.9			$486.4
Other comprehensive (loss) income:									
Unrecognized pension items	$(34.2)	$4.8	(29.4)	$219.1	$(45.8)	173.3	$(13.1)	$2.4	(10.7)
Unrealized gains (losses) on derivative instruments for net investment hedge	20.0	(5.0)	15.0	(109.8)	42.0	(67.8)	31.3	(12.0)	19.3
Unrealized gains (losses) on derivative instruments for cash flow hedge	3.9	(1.2)	2.7	(11.2)	2.4	(8.8)	0.3	(0.1)	0.2
Foreign currency translation adjustments	(49.2)	(1.2)	(50.4)	2.2	5.3	7.5	(118.1)	(19.8)	(137.9)
Other comprehensive (loss) income	$(59.5)	$(2.6)	(62.1)	$100.3	$3.9	104.2	$(99.6)	$(29.5)	(129.1)
Comprehensive income, net of taxes			$131.0			$919.1			$357.3

See accompanying Notes to Consolidated Financial Statements.

SEALED AIR CORPORATION AND SUBSIDIARIES

Consolidated Statements of Stockholders' Equity (Deficit)

(In millions)	Common Stock	Additional Paid-in Capital	Retained Earnings	Common Stock in Treasury	Accumulated Other Comprehensive Loss, Net of Taxes	Total Stockholders' Equity (Deficit)
Balance at December 31, 2015	$ 22.6	$ 1,915.0	$ 675.2	$ (1,265.7)	$ (820.0)	$ 527.1
Effect of share-based incentive compensation	0.2	59.9	—	(30.7)	—	29.4
Stock issued for profit sharing contribution paid in stock	—	2.1	—	35.3	—	37.4
Repurchases of common stock	—	—	—	(217.0)	—	(217.0)
Unrecognized pension items, net of taxes	—	—	—	—	(10.7)	(10.7)
Foreign currency translation adjustments	—	—	—	—	(137.9)	(137.9)
Unrealized gain on derivative instruments, net of taxes	—	—	—	—	19.5	19.5
Settlement share transfer and excess tax benefit	—	(2.9)	—	—	—	(2.9)
Net earnings	—	—	486.4	—	—	486.4
Dividends on common stock ($0.61 per share)	—	—	(121.6)	—	—	(121.6)
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	45.0	—	(22.2)	—	23.0
Stock issued for profit sharing contribution paid in stock	—	0.5	—	21.8	—	22.3
Repurchases of common stock	—	(80.0)	—	(1,222.1)	—	(1,302.1)
Unrecognized pension items, net of taxes	—	—	—	—	173.3	173.3
Foreign currency translation adjustments	—	—	—	—	7.5	7.5
Unrealized loss on derivative instruments, net of taxes	—	—	—	—	(76.6)	(76.6)
Net earnings	—	—	814.9	—	—	814.9
Dividends on common stock ($0.64 per share)	—	—	(119.7)	—	—	(119.7)
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	29.2	—	(8.0)	—	21.4
Stock issued for profit sharing contribution paid in stock	—	0.8	—	23.8	—	24.6
Repurchases of common stock	—	80.0	—	(651.7)	—	(571.7)
Unrecognized pension items, net of taxes	—	—	—	—	(29.4)	(29.4)
Foreign currency translation adjustments	—	—	—	—	(50.4)	(50.4)
Unrealized gain on derivative instruments, net of taxes	—	—	—	—	17.7	17.7
Net earnings	—	—	193.1	—	—	193.1
Dividends on common stock ($0.64 per share)	—	—	(102.8)	—	—	(102.8)
Impact of recently adopted accounting standards[1]	—	—	10.0	—	(13.4)	(3.4)

Balance at December 31, 2018	$ 23.2	$ 2,049.6	$ 1,835.5	$ (3,336.5)	$ (920.4)	$ (348.6)

See accompanying Notes to Consolidated Financial Statements.

SEALED AIR CORPORATION AND SUBSIDIARIES

(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) as of January 1, 2018, the Company recorded decreases to retained earnings of $1.0 million and $2.4 million, respectively. In addition, due to the adoption of ASU 2018-02, Income Statement - Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income as of October 1, 2018, the Company recorded an increase to retained earnings of $13.4 million from accumulated other comprehensive loss. See Note 2, "Recently Adopted and Issued Accounting Standards," in the Notes to Consolidated Financial Statements for more information.

SEALED AIR CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows

	Year Ended December 31,		
(In millions)	2018	2017	2016
Net earnings	$193.1	$814.9	$486.4
Adjustments to reconcile net earnings to net cash provided by operating activities			
Depreciation and amortization	131.2	149.3	214.0
Share-based incentive compensation	29.2	44.9	59.9
Profit sharing expense	21.6	23.2	24.6
Charges related to Venezuelan subsidiaries	—	—	46.0
Provisions for bad debt	2.3	2.9	4.3
Provisions for inventory obsolescence	4.8	3.6	6.4
Deferred taxes, net	10.9	121.0	(61.7)
Net (gain) loss on sale of businesses	(42.5)	(641.2)	1.9
Foreign currency losses (gains)	13.7	29.9	(4.9)
Other non-cash items	11.1	11.1	0.9
Changes in operating assets and liabilities:			
Trade receivables, net	(0.9)	(81.4)	(33.9)
Inventories	(61.2)	(55.4)	(17.1)
Accounts payable	42.6	154.1	228.0
Income tax receivable/payable	(16.4)	(207.1)	7.3
Other assets and liabilities	88.5	54.6	(55.2)
Net cash provided by operating activities	$428.0	$424.4	$906.9
Cash flows from investing activities:			
Capital expenditures	$(168.6)	$(183.8)	$(275.7)
Proceeds from sale of business	6.8	1.0	7.8
Businesses acquired in purchase transactions, net of cash acquired	(68.4)	(119.2)	(5.8)
Proceeds from sales of property, equipment and other assets	—	1.7	4.9
Loss from settlement of cross currency swaps	—	(61.8)	—
Investment in equity investments	(7.5)	—	—
Impact of sale of Diversey	(15.3)	2,156.9	—
Settlement of foreign currency forward contracts	(11.1)	(8.7)	(46.0)
Other investing activities	(2.6)	—	—
Net cash (used in) provided by investing activities	$(266.7)	$1,786.1	$(314.8)
Cash flows from financing activities:			
Net proceeds (payments) from short-term borrowings	$224.0	$(93.7)	$(154.2)
Proceeds from cross currency swap	—	17.4	—
Payments of long-term debt[1]	(1.6)	(369.5)	(27.1)
Dividends paid on common stock	(104.1)	(119.7)	(121.6)
Repurchases of common stock[2]	(582.6)	(1,302.1)	(217.0)
Payments for debt modification/extinguishment costs	(6.1)	—	(0.1)
Acquisition of common stock for tax withholding	(7.9)	(22.1)	(30.7)
Other financing activities	—	—	6.2
Net cash used in financing activities	$(478.3)	$(1,889.7)	$(544.5)
Effect of foreign currency exchange rate changes on cash and cash equivalents	$(5.3)	$(113.4)	$(39.2)
Cash Reconciliation[3]:			
Cash and cash equivalents	594.0	333.7	321.7
Restricted cash and cash equivalents[4]	—	52.9	56.5
Balance, beginning of period	$594.0	$386.6	$378.2

Net change during the period	(322.3)	207.4	8.4
Cash and cash equivalents	271.7	594.0	333.7
Restricted cash and cash equivalents[4]	—	—	52.9
Balance, end of period	$271.7	$594.0	$386.6

SEALED AIR CORPORATION AND SUBSIDIARIES

(In millions)	Year Ended December 31, 2018	2017	2016
Supplemental Cash Flow Information:			
Interest payments, net of amounts capitalized	$191.4	$210.8	$215.1
Income tax payments	$155.0	$161.7	$125.8
Payments related to sale of Diversey	$51.6	$180.8	$—
Restructuring payments including associated costs	$12.1	$49.3	$66.1
Non-cash items:			
Transfers of shares of our common stock from treasury for our 2017, 2016 and 2015 profit-sharing plan contributions	$23.5	$22.3	$37.6

See accompanying Notes to Consolidated Financial Statements.

(1) Payments of borrowings included in financing activities excludes amounts which were paid using cash proceeds 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 year ended December 31, 2017.

(2) 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. The full amount was paid as of December 31, 2017; however, only $320.0 million was used to repurchase shares at that point in time. The ASR program concluded in February 2018.

(3) 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 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," of the Notes to Consolidated Financial Statements for more information.

(4) Restricted cash and cash equivalents included compensating balance deposits related to certain short-term borrowings and were included in prepaid expenses and other current assets on the Consolidated Balance Sheets as of December 31, 2016.

SEALED AIR CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 1 Organization and Nature of Operations

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 profitable growth and increased earnings power through partnering with our customers to provide innovative, sustainable packaging solutions that solve their most complex packaging problems and create differential value for them. We do so through our iconic brands, differentiated technologies, leading market positions, global scale and market access and well-established customer relationships.

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

Note 2 Summary of Significant Accounting Policies and Recently Issued Accounting Standards

Summary of Significant Accounting Policies

Basis of Presentation

Our 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. All amounts are in millions, except per share amounts, and are approximate due to rounding.

Reclassification

As part of our review of costs included in the corporate segment, amounts related to division operations were identified and reclassified out of other (expense) income, net to cost of sales. The impact for the years ended December 31, 2017 and 2016 was $8.1 million and $6.4 million, respectively.

Use of Estimates

The preparation of our Consolidated Financial Statements and related disclosures in conform