NEWELL RUBBERMAID INC
Form 10-Q
November 07, 2014
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q
Quarterly Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934
for the Quarterly Period Ended September 30, 2014
Commission File Number 1-9608
NEWELL RUBBERMAID INC.
(Exact name of registrant as specified in its charter)

DELAWARE	36-3514169
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

Three Glenlake Parkway
Atlanta, Georgia 30328
(Address of principal executive offices)
(Zip Code)
(770) 418-7000
(Registrant's telephone number, including area code)

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 R No o

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

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

Large accelerated filer R	Accelerated filer o	Non-accelerated filer o	Smaller reporting company o
	(Do not check if a 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 o No R

Number of shares of common stock outstanding (net of treasury shares) as of September 30, 2014: 271.1 million.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

NEWELL RUBBERMAID INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)
(Amounts in millions, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Net sales	$1,484.5	$1,466.1	$4,201.0	$4,141.7
Cost of products sold	907.8	913.6	2,571.7	2,558.5
GROSS MARGIN	576.7	552.5	1,629.3	1,583.2
Selling, general and administrative expenses	383.8	342.7	1,094.9	1,027.8
Restructuring costs	19.7	31.3	43.2	97.7
OPERATING INCOME	173.2	178.5	491.2	457.7
Nonoperating expenses:				
Interest expense, net	14.3	15.7	43.7	45.3
Other expense, net	7.7	0.7	45.1	17.9
Net nonoperating expenses	22.0	16.4	88.8	63.2
INCOME BEFORE INCOME TAXES	151.2	162.1	402.4	394.5
Income tax expense	28.3	39.9	78.7	94.5
INCOME FROM CONTINUING OPERATIONS	122.9	122.2	323.7	300.0
(Loss) income from discontinued operations, net of tax	(0.6)	71.1	2.1	57.3
NET INCOME	$122.3	$193.3	$325.8	$357.3
Weighted average shares outstanding:				
Basic	273.5	290.1	277.2	290.3
Diluted	276.4	292.9	279.9	293.4
Earnings per share:				
Basic:				
Income from continuing operations	$0.45	$0.42	$1.17	$1.03
(Loss) income from discontinued operations	$—	$0.25	$0.01	$0.20
Net income	$0.45	$0.67	$1.18	$1.23
Diluted:				
Income from continuing operations	$0.44	$0.42	$1.16	$1.02
(Loss) income from discontinued operations	$—	$0.24	$0.01	$0.20
Net income	$0.44	$0.66	$1.16	$1.22
Dividends per share	$0.17	$0.15	$0.49	$0.45

See Notes to Condensed Consolidated Financial Statements (Unaudited).

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NEWELL RUBBERMAID INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)
(Amounts in millions)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
NET INCOME	$122.3	$193.3	$325.8	$357.3
Other comprehensive (loss) income, net of tax:				
Foreign currency translation adjustments	(84.2)	43.8	(60.0)	(5.2)
Change in unrecognized pension and other postretirement costs	9.5	(1.4)	13.1	16.3
Derivative hedging gain (loss)	6.3	(1.3)	3.0	0.4
Total other comprehensive (loss) income, net of tax	(68.4)	41.1	(43.9)	11.5
COMPREHENSIVE INCOME [1]	$53.9	$234.4	$281.9	$368.8

(1) Comprehensive income attributable to noncontrolling interests was not material.

See Notes to Condensed Consolidated Financial Statements (Unaudited).

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NEWELL RUBBERMAID INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)
(Amounts in millions, except par values)

	September 30, 2014	December 31, 2013
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$132.6	$226.3
Accounts receivable, net	1,158.3	1,105.1
Inventories, net	789.4	684.4
Deferred income taxes	144.8	134.4
Prepaid expenses and other	152.3	135.4
TOTAL CURRENT ASSETS	2,377.4	2,285.6
PROPERTY, PLANT AND EQUIPMENT, NET	525.3	539.6
GOODWILL	2,439.5	2,361.1
OTHER INTANGIBLE ASSETS, NET	733.6	614.5
OTHER ASSETS	273.4	268.9
TOTAL ASSETS	$6,349.2	$6,069.7
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$579.1	$558.9
Accrued compensation	136.9	167.3
Other accrued liabilities	704.6	703.5
Short-term debt	517.0	174.0
Current portion of long-term debt	251.1	0.8
TOTAL CURRENT LIABILITIES	2,188.7	1,604.5
LONG-TERM DEBT	1,418.7	1,661.6
OTHER NONCURRENT LIABILITIES	712.8	728.6
STOCKHOLDERS' EQUITY:		
Preferred stock, authorized shares, 10.0 at $1.00 par value	—	—
None issued and outstanding		
Common stock, authorized shares, 800.0 at $1.00 par value	290.6	297.5
Outstanding shares, before treasury:		
2014 – 290.6		
2013 – 297.5		
Treasury stock, at cost:	(491.5)	(477.2)
Shares held:		
2014 – 19.5		
2013 – 18.9		
Additional paid-in capital	718.3	654.3
Retained earnings	2,197.2	2,242.1
Accumulated other comprehensive loss	(689.1)	(645.2)
STOCKHOLDERS' EQUITY ATTRIBUTABLE TO PARENT	2,025.5	2,071.5
STOCKHOLDERS' EQUITY ATTRIBUTABLE TO NONCONTROLLING INTERESTS	3.5	3.5
TOTAL STOCKHOLDERS' EQUITY	2,029.0	2,075.0
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$6,349.2	$6,069.7

See Notes to Condensed Consolidated Financial Statements (Unaudited).

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NEWELL RUBBERMAID INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)
(Amounts in millions)

	Nine Months Ended September 30, 2014	2013
OPERATING ACTIVITIES:		
Net income	$325.8	$357.3
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	114.4	119.4
Net gain from sale of discontinued operations, including impairments	(0.4)	(86.1)
Deferred income taxes	(0.7)	76.3
Non-cash restructuring costs	5.6	3.9
Stock-based compensation expense	21.3	27.7
Other, net	63.1	27.3
Changes in operating assets and liabilities, excluding the effects of acquisitions and divestitures:		
Accounts receivable	(40.9)	35.6
Inventories	(111.8)	(195.7)
Accounts payable	11.6	74.7
Accrued liabilities and other	(44.7)	(139.4)
NET CASH PROVIDED BY OPERATING ACTIVITIES	343.3	301.0
INVESTING ACTIVITIES:		
Proceeds from sales of discontinued operations and noncurrent assets	8.0	180.9
Acquisitions and acquisition-related activity	(312.9)	—
Capital expenditures	(101.0)	(85.7)
Other	(2.5)	1.8
NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES	(408.4)	97.0
FINANCING ACTIVITIES:		
Short-term borrowings, net	343.1	(180.9)
Repurchase and retirement of shares of common stock	(262.6)	(119.2)
Cash dividends	(136.1)	(132.1)
Excess tax benefits related to stock-based compensation	7.6	14.1
Other stock-based compensation activity, net	45.0	35.9
NET CASH USED IN FINANCING ACTIVITIES	(3.0)	(382.2)
Currency rate effect on cash and cash equivalents	(25.6)	(2.2)
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(93.7)	13.6
Cash and cash equivalents at beginning of period	226.3	183.8
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$132.6	$197.4

See Notes to Condensed Consolidated Financial Statements (Unaudited).

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NEWELL RUBBERMAID INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Footnote 1 — Basis of Presentation and Significant Accounting Policies
The accompanying unaudited condensed consolidated financial statements of Newell Rubbermaid Inc. (collectively with its subsidiaries, the "Company") have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC") and do not include all of the information and footnotes required by U.S. generally accepted accounting principles ("U.S. GAAP") for complete financial statements. In the opinion of management, the unaudited condensed consolidated financial statements include all adjustments (including normal recurring accruals) considered necessary for a fair presentation of the financial position and the results of operations of the Company. It is recommended that these unaudited condensed consolidated financial statements be read in conjunction with the financial statements, and the footnotes thereto, included in the Company's most recent Annual Report on Form 10-K.
Seasonal Variations
Sales of the Company's products tend to be seasonal, with sales and operating income in the first quarter generally lower than any other quarter during the year, driven principally by reduced volume and the mix of products sold in the first quarter. Historically, the Company has earned approximately 60% of its annual operating income during the second and third quarters of the year. The seasonality of the Company's sales volume combined with the accounting for fixed costs, such as depreciation, amortization, rent, personnel costs and interest expense, impacts the Company's results on a quarterly basis. In addition, the Company has historically generated more than 90% of its operating cash flow in the second half of the year due to seasonal variations in operating results, the timing of annual performance-based compensation payments, and credit terms provided to customers. Accordingly, the Company's results for the nine months ended September 30, 2014 may not necessarily be indicative of the results that may be expected for the full year ending December 31, 2014.
Recent Accounting Pronouncements
Changes to U.S. GAAP are established by the Financial Accounting Standards Board ("FASB") in the form of accounting standards updates ("ASUs") to the FASB's Accounting Standards Codification. The Company considers the applicability and impact of all ASUs.
In July 2013, the FASB issued ASU No. 2013-11, "Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists." ASU 2013-11 requires an entity to net its liability for unrecognized tax positions against a net operating loss carryforward, a similar tax loss or a tax credit carryforward when settlement in this manner is available under the tax law. The Company adopted the provisions of ASU 2013-11 beginning January 1, 2014, and the adoption did not have a material impact on the Company's financial statements or disclosures.
In April 2014, the FASB issued ASU No. 2014-08, "Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity." Under ASU 2014-08, only disposals representing a strategic shift in operations would be presented as discontinued operations. This guidance requires expanded disclosure that provides information about the assets, liabilities, income and expenses of discontinued operations. Additionally, the guidance requires additional disclosure for a disposal of a significant part of an entity that does not qualify for discontinued operations reporting. This guidance will be effective for reporting periods beginning on or after December 15, 2014 with early adoption permitted for disposals or classifications of assets as held-for-sale that have not been reported in financial statements previously issued or available for issuance. The Company will adopt ASU 2014-08 on January 1, 2015, and the Company does not expect the adoption will have a material effect on the Company's financial statements. The businesses currently classified as discontinued operations will continue to be classified as such after January 1, 2015.
In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers." ASU 2014-09 supersedes the revenue recognition requirements in "Accounting Standard Codification 605 - Revenue Recognition" and most industry-specific guidance. ASU 2014-09 requires that entities recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which a company expects to be entitled in exchange for those goods or services. This ASU is effective for fiscal years beginning after December 15, 2016. ASU 2014-09 permits the use of either the retrospective or cumulative effect transition method. The Company is

currently assessing the impact ASU 2014-09 will have on its financial position and results of operations.
Other recently issued ASUs were assessed and determined to be either not applicable or are expected to have a minimal impact on the Company’s consolidated financial position and results of operations.

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Venezuelan Operations

The Company accounts for its Venezuelan operations using highly inflationary accounting, and therefore, the Company remeasures assets, liabilities, sales and expenses denominated in Bolivar Fuertes (“Bolivars”) into U.S. Dollars using the applicable exchange rate, and the resulting translation adjustments are included in earnings. In February 2013, the exchange rate for Bolivars declined to 6.3 Bolivars per U.S. Dollar. Previously, the Company remeasured its operations denominated in Bolivars at the rate of exchange used by the Transaction System for Foreign Currency Denominated Securities (“SITME”) of 5.3 Bolivars per U.S. Dollar. As a result, the Company recorded a charge of $11.1 million in the first quarter of 2013, based on the decline in value of the net monetary assets of its Venezuelan operations that are denominated in Bolivars.

Beginning in July 2013, the Venezuelan government authorized certain companies that operate in designated industry sectors to exchange a limited volume of Bolivars for U.S. Dollars at a bid rate established via weekly auctions under a system referred to as “SICAD I.” During the first quarter of 2014, the government expanded the types of transactions that may be subject to the weekly SICAD I auction process while retaining the official rate of 6.3 Bolivars per U.S. Dollar and introduced another currency exchange mechanism (“SICAD II”). The SICAD II rate is intended to more closely resemble a market-driven exchange rate than the official rate and SICAD I. As a result of these changes, an entity may be able to convert Bolivars to U.S. Dollars at one or more of three legal exchange rates, which as of September 30, 2014, were 6.3 (official rate), 12.0 (SICAD I) and 50.0 (SICAD II). The Company analyzed the multiple rates currently available and the Company's estimates of the applicable rate at which future transactions could be settled and dividends can be paid. Based on this analysis, the Company determined that the SICAD I rate is the most appropriate rate to use for remeasurement. Therefore, as of September 30, 2014, the Company remeasured the net monetary assets of its Venezuelan operations using an exchange rate of 12.0 Bolivars per U.S. Dollar, which was the SICAD I rate on that date. The Company recorded charges of $6.9 million and $45.6 million for the three and nine months ended September 30, 2014, respectively, based on the decline in value of the net monetary assets of its Venezuelan operations that are denominated in Bolivars, which includes a $38.7 million charge upon adoption of the SICAD I rate in the first quarter of 2014. The Company expects to continue to use the SICAD I rate to remeasure the net monetary assets of its Venezuelan subsidiary unless facts and circumstances change.

As of September 30, 2014, the Company’s Venezuelan operations had approximately $55.8 million in Bolivar-denominated net monetary assets, including $51.0 million of cash and cash equivalents. In future periods, foreign exchange gains (losses) arising due to the appreciation (depreciation) of the Bolivar versus the U.S. Dollar will result in benefits (charges) based on the change in value of the Bolivar-denominated net monetary assets. During the nine months ended September 30, 2014 and 2013, the Company’s Venezuelan operations generated 1.8% or less of consolidated net sales.

The Company is unable to predict with certainty whether future devaluations will occur because of economic and political uncertainty in Venezuela. If the Bolivar devalues further or if the Company is able to access currency at different rates that are reasonable to the Company, it could result in additional foreign currency exchange losses, and such devaluations could adversely affect the Company’s future financial results. Despite the additional currency conversion mechanisms, the Company’s ability to pay dividends from Venezuela is still restricted due to the low volume of U.S. Dollars available for conversion.

The Company is also unable to predict how Venezuela’s Law on Fair Pricing will ultimately impact the Company’s Venezuelan operations, as the Law on Fair Pricing may require the Company to reduce prices in the future and/or limit its ability to increase prices in the future to offset inflation or other increases in costs.

Income Taxes

At the end of each interim period, the Company makes its best estimate of the effective tax rate expected to be applicable for the full fiscal year. This estimate reflects, among other items, the Company’s best estimate of operating results and foreign currency exchange rates. The Company’s quarterly income tax rate may differ from its estimated annual effective tax rate because accounting standards require the Company to exclude the actual results of certain entities expected to generate a pretax loss when applying the estimated annual effective tax rate to the Company’s consolidated pretax results in interim periods. In estimating the annual effective tax rate, the Company does not include the estimated impact of unusual and/or infrequent items, including the reversal of certain valuation allowances, which may cause significant variations in the customary relationship between income tax expense (benefit) and pretax income (loss) in quarterly and year-to-date periods. The income tax expense (benefit) for such unusual and/or infrequent items is recorded in the quarterly period in which such items are incurred.

The Company routinely reviews valuation allowances recorded against deferred tax assets on a more likely than not basis in evaluating whether the Company has the ability to realize the deferred tax assets. In making such a determination, the Company takes into consideration all available and appropriate positive and negative evidence, including projected future taxable income, future reversals of existing taxable temporary differences, available tax planning strategies and taxable income in prior carryback years, if available. Considering these factors, it is possible that the Company may record or release a portion of a valuation allowance against some deferred tax assets each quarterly period, which could create volatility in the Company’s future effective tax rate.

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Reclassifications
Certain 2013 amounts have been reclassified to conform to the 2014 presentation.

Footnote 2 — Acquisitions

On September 4, 2014, the Company acquired 100% of Ignite Holdings, LLC ("Ignite") for $312.9 million, which is net of $7.2 million of cash acquired. A portion of the purchase price was used to repay Ignite's outstanding debt obligations at closing. Ignite is a designer and marketer of durable beverage containers sold under the Contigo® and Avex® brands. The Ignite acquisition gives the Company's Home Solutions business access to additional channels in the on-the-go hydration and thermal bottle market in North America and fits with the Company's strategy of accelerating growth by leveraging its capabilities across additional product categories, geographies and channels. The sales and results of operations of Ignite are included in the Company's consolidated financial statements beginning September 4, 2014 and contributed net sales of $9.0 million.
This acquisition was accounted for using the purchase method of accounting and, accordingly, the Company allocated the total purchase price to the identifiable tangible and intangible assets acquired and liabilities assumed based on their estimated fair values on the date of acquisition. Based on the preliminary purchase price allocation, which is subject to change while the Company obtains final third party valuations, the Company allocated $30.2 million of the purchase price to identified tangible and monetary net assets and $151.6 million to identified intangible assets. Approximately $57.6 million was allocated to indefinite-lived intangible assets, and approximately $94.0 million was allocated to definite-lived intangible assets with a weighted average life of 7.5 years. The Company recorded the excess of the purchase price over the aggregate fair values of identifiable assets of $131.1 million as goodwill, which is included in the Condensed Consolidated Balance Sheet at September 30, 2014. Approximately $98.3 million of the goodwill is expected to be tax deductible. The final purchase price is subject to post-closing adjustments for working capital and other matters. Ignite's results of operations are included in the Company's Condensed Consolidated Statements of Operations since the acquisition date. Pro forma results of operations of the Company would not be materially different as a result of the acquisition and therefore are not presented.
The Company incurred $3.1 million of acquisition and integration costs associated with the acquisition of Ignite which are included in selling, general and administrative expenses in the Company's Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2014.
Footnote 3 — Discontinued Operations
During the nine months ended September 30, 2014, the Company's Endicia® and Culinary electrics and retail businesses were classified as discontinued operations based on the Company's commitment to sell the businesses. The Endicia business was included in the Writing segment, and the Culinary businesses were included in the Home Solutions segment. The Endicia business provides on-line postage solutions. The Culinary electrics business sells kitchen electrics and accessories to retailers, and the retail business sells cookware products and accessories through outlet stores. Based on the Company's strategy to allocate resources to its businesses relative to their growth potential and those with the greater right to win in the marketplace, the Company determined these businesses did not align with the Company's long-term growth plans and has initiated plans to sell these businesses. The net assets of these businesses at September 30, 2014 were $61.4 million, primarily representing goodwill.
During the three months ended March 31, 2013, the Company's Hardware and Teach businesses were classified as discontinued operations based on the Company's commitment to divest the businesses. The Hardware and Teach businesses were sold in the third quarter of 2013.
The following table provides a summary of amounts included in discontinued operations (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Net sales	$19.3	$69.7	$60.1	$254.4
Income (loss) from discontinued operations before income taxes	$0.3	$(4.8)	$0.3	$0.3
Income tax (benefit) expense	(0.1)	0.7	0.3	0.9

Income (loss) from discontinued operations	0.4	(5.5)	—	(0.6)
Net (loss) gain from sales of discontinued operations, including impairments, net of tax [1]	(1.0)	76.6	2.1	57.9
(Loss) income from discontinued operations, net of tax	$(0.6)	$71.1	$2.1	$57.3

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(1) Includes pretax gains of $108.8 million (related tax expense of $32.2 million) and $86.1 million (related tax expense of $28.2 million) for the three and nine months ended September 30, 2013, respectively, relating to the Hardware and Teach businesses, including net gains from sale; impairments and write-offs of goodwill, intangibles and other long-lived assets; and write-downs and write-offs of net working capital.

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Footnote 4 — Stockholders’ Equity and Accumulated Other Comprehensive Loss

In August 2011, the Company announced a $300.0 million three-year share repurchase program (the “SRP”). Under the SRP, the Company may repurchase its own shares of common stock through a combination of a 10b5-1 automatic trading plan, discretionary market purchases or in privately negotiated transactions. In February 2014, the SRP was expanded and extended such that the Company may repurchase up to $300.0 million of its shares from February 2014 through the end of 2016. Prior to its expansion and extension in February 2014, the Company had repurchased and retired 12.9 million shares for $257.1 million under the SRP. During the nine months ended September 30, 2014, the Company repurchased 8.6 million shares pursuant to the SRP for $262.6 million, and such shares were immediately retired. Since the commencement of the SRP through September 30, 2014, the Company has repurchased and retired 21.6 million shares at an aggregate cost of $519.7 million. As of September 30, 2014, the Company had $37.4 million available under the SRP for future repurchases.

In October 2013, the Company entered into agreements with Goldman, Sachs & Co. (“Goldman Sachs”) to effect an accelerated stock buyback (the “ASB”) of the Company’s common stock. Under the ASB, the Company paid Goldman Sachs an initial purchase price of $350.0 million, and Goldman Sachs delivered to the Company 9.4 million shares of the Company’s common stock based on an initial per share amount of $29.69. The number of shares that the Company ultimately purchased under the ASB was determined based on the average of the daily volume-weighted average share prices of the Company’s common stock over the course of a calculation period. In March 2014, the ASB was completed and Goldman Sachs delivered 2.0 million shares of the Company’s common stock to the Company. Such shares were immediately retired.

The following table displays the changes in accumulated other comprehensive loss by component for the nine months ended September 30, 2014 (in millions):

	Foreign Currency Translation Loss (1)	Unrecognized Pension & Other Postretirement Costs, Net of Tax	Derivative Hedging (Loss) Gain, Net of Tax	Accumulated Other Comprehensive Loss
Balance at December 31, 2013	$(161.5)	$(483.3)	$(0.4)	$ (645.2)
Other comprehensive (loss) income before reclassifications	(60.0)	2.0	4.0	(54.0)
Amounts reclassified to earnings	—	11.1	(1.0)	10.1
Net current period other comprehensive (loss) income	(60.0)	13.1	3.0	(43.9)
Balance at September 30, 2014	$(221.5)	$(470.2)	$2.6	$ (689.1)

(1) Includes foreign exchange losses of $18.1 million arising during the nine months ended September 30, 2014 associated with intercompany loans designated as long-term.

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The following table depicts reclassifications out of accumulated other comprehensive loss to earnings for the three and nine months ended September 30, 2014 and 2013 (in millions):

	Amount Reclassified to Earnings as Expense (Benefit) in the Statements of Operations				Affected Line Item in the Condensed Consolidated Statements of Operations
	Three Months Ended September 30,		Nine Months Ended September 30,		
	2014	2013	2014	2013	
Foreign currency translation loss:					
Total before tax	$—	$0.7	$—	$0.7	Discontinued operations
Tax effect	—	—	—	—	
Net of tax	$—	$0.7	$—	$0.7	
Unrecognized pension and other postretirement costs:					
Prior service benefit	$(1.6)	$(0.2)	$(4.8)	$(0.6)	(1)
Actuarial loss	6.8	8.5	20.7	25.4	(1)
Total before tax	5.2	8.3	15.9	24.8	
Tax effect	(1.6)	(2.7)	(4.8)	(8.1)	
Net of tax	$3.6	$5.6	$11.1	$16.7	
Derivatives:					
Foreign exchange contracts on inventory-related purchases	$(0.2)	$(0.7)	$(2.6)	$(2.9)	Cost of products sold
Forward interest rate swaps	0.1	0.2	0.5	0.6	Interest expense, net
Total before tax	(0.1)	(0.5)	(2.1)	(2.3)	
Tax effect	—	0.2	1.1	0.7	
Net of tax	$(0.1)	$(0.3)	$(1.0)	$(1.6)	

(1) These accumulated other comprehensive income (loss) components are included in the computation of net periodic pension and other postretirement benefit costs, which are recorded in the cost of products sold and selling, general and administrative expenses line-items in the Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2014 and 2013. See Footnote 9 for further details.

Footnote 5 — Restructuring Costs

Project Renewal

In October 2011, the Company announced Project Renewal, a program designed to reduce the complexity of the organization and increase investment in growth platforms within the business. Project Renewal is designed to simplify and align the business around two key activities – Brand & Category Development and Market Execution & Delivery. In connection with the program, the Company eliminated its operating groups and consolidated its 13 global business units into five business segments. In addition, the Company is consolidating certain manufacturing facilities and distribution centers as part of the program, with the goal of increasing operational efficiency, reducing costs and improving gross margin.

In October 2014, the Company announced an expansion of Project Renewal, under which the Company intends to: (i) further streamline its supply chain function, including a reduction of overhead and a realignment of the supply chain management structure; (ii) invest in value analysis and value engineering efforts to reduce product and packaging costs; (iii) reduce operational and manufacturing complexity in its Writing segment; (iv) further streamline its distribution and transportation functions; and (v) further reduce its overhead costs. In connection with the expansion, the Company expects to incur incremental costs of approximately $200.0 million, including pretax restructuring charges in the range of $75 to $125 million. Other costs related to the expansion include advisory costs for process transformation and optimization initiatives as well as project management, capital investment and capability building costs.

Cumulative pretax costs of the expanded Project Renewal are expected to be $540 to $575 million, of which $510 to $540 million are expected to be cash costs. Approximately 65% to 75% of the total costs are expected to be restructuring costs, a majority of which are expected to be employee-related cash costs, including severance, retirement, and other termination benefits and costs. Project Renewal is expected to be complete by the end of 2017.

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The following table depicts the restructuring charges incurred in connection with Project Renewal (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,		Since Inception Through September 30, 2014
	2014	2013	2014	2013	
Facility and other exit costs, including impairments	$1.9	$1.7	$4.7	$4.0	$18.1
Employee severance, termination benefits and relocation costs	10.3	25.9	27.4	80.5	168.3
Exited contractual commitments and other	7.5	3.7	12.4	14.3	40.3
	$19.7	$31.3	$44.5	$98.8	$226.7

Restructuring provisions were determined based on estimates prepared at the time the restructuring actions were approved by management and are periodically updated for changes. Restructuring amounts also include amounts recognized as incurred. The following table depicts the activity in accrued restructuring reserves for Project Renewal for the nine months ended September 30, 2014 (in millions):

	December 31, 2013			September 30, 2014
	Balance	Provision	Costs Incurred	Balance
Facility and other exit costs, including impairments	$—	$4.7	$(4.7)	$—
Employee severance, termination benefits and relocation costs	60.3	27.4	(53.9)	33.8
Exited contractual commitments and other	7.1	12.4	(8.4)	11.1
	$67.4	$44.5	$(67.0)	$44.9

The following table depicts the activity in accrued restructuring reserves for Project Renewal for the nine months ended September 30, 2014 aggregated by reportable business segment (in millions):

	December 31, 2013			September 30, 2014
Segment	Balance	Provision	Costs Incurred	Balance
Writing	$25.8	$8.1	$(14.2)	$19.7
Home Solutions	0.7	1.0	(1.5)	0.2
Tools	0.3	3.2	(2.8)	0.7
Commercial Products	6.8	3.4	(4.3)	5.9
Baby & Parenting	1.4	0.2	(0.3)	1.3
Corporate	32.4	28.6	(43.9)	17.1
	$67.4	$44.5	$(67.0)	$44.9

The table below shows restructuring costs recognized for all restructuring activities in continuing operations for the periods indicated, aggregated by reportable business segment (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
Segment	2014	2013	2014	2013
Writing	$6.3	$14.1	$8.1	$34.8
Home Solutions	—	1.6	1.0	3.6
Tools	1.6	2.1	3.2	4.8
Commercial Products	0.7	1.8	3.4	4.3
Baby & Parenting	—	2.2	0.2	2.2
Corporate[(1)]	11.1	9.5	27.3	48.0
	$19.7	$31.3	$43.2	$97.7

(1) Includes adjustments of $1.3 million and $1.1 million for the nine months ended September 30, 2014 and 2013, respectively, relating to previous restructuring projects that had the impact of decreasing restructuring costs.

Cash paid for all restructuring activities was $12.2 million and $61.7 million for the three and nine months ended September 30, 2014, respectively, and $11.4 million and $50.9 million for the three and nine months ended September 30, 2013, respectively.

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Footnote 6 — Inventories, Net

Inventories are stated at the lower of cost or market value. The components of net inventories were as follows (in millions):

	September 30, 2014	December 31, 2013
Materials and supplies	$127.3	$123.5
Work in process	115.2	107.0
Finished products	546.9	453.9
	$789.4	$684.4

Footnote 7 — Debt

The following is a summary of outstanding debt (in millions):

	September 30, 2014	December 31, 2013
Medium-term notes	$1,668.0	$1,659.8
Commercial paper	161.4	95.0
Receivables facility	350.0	75.0
Other debt	7.4	6.6
Total debt	2,186.8	1,836.4
Short-term debt	(517.0)	(174.0)
Current portion of long-term debt	(251.1)	(0.8)
Long-term debt	$1,418.7	$1,661.6

Interest Rate Swaps

As of September 30, 2014, the Company was party to fixed-for-floating interest rate swaps designated as fair value hedges. The interest rate swaps relate to an aggregate $750.0 million principal amount of the medium-term notes and result in the Company effectively paying a floating rate of interest on the medium-term notes hedged by the interest rate swaps.

The medium-term note balances at September 30, 2014 and December 31, 2013 include mark-to-market adjustments of $4.1 million and $12.4 million, respectively, to record the fair value of the hedges of the fixed-rate debt, and the mark-to-market adjustments had the effect of decreasing the reported values of the medium-term notes. Compared to the stated rates of the underlying medium-term notes, interest rate swaps, including amortization of settled interest rate swaps, had the effect of reducing interest expense by $3.4 million for both the three months ended September 30, 2014 and 2013, and by $10.5 million and $10.3 million for the nine months ended September 30, 2014 and 2013, respectively.

Receivables-Related Borrowings

In September 2013, the Company amended its receivables facility to increase available borrowings to up to $350.0 million and extend the expiration date to September 2015 (the “Receivables Facility”). Under the Receivables Facility, the Company and certain operating subsidiaries (collectively, “the Originators”) sell their receivables to a financing subsidiary as the receivables are originated. The financing subsidiary is wholly owned by the Company and is the owner of the purchased receivables and the borrower under the Receivables Facility. The assets of the financing subsidiary are restricted as collateral for the payment of debt or other obligations arising under the Receivables Facility, and the financing subsidiary’s assets and credit are not available to satisfy the debts and obligations owed to the Company’s or any other Originator’s creditors. The Company includes the financing subsidiary’s assets, liabilities and results of operations in its consolidated financial statements. The Receivables Facility requires, among other things, that the Company maintain a certain interest coverage ratio, and the Company was in compliance with such requirements under the Receivables Facility as of September 30, 2014. The financing subsidiary owned $724.9 million of outstanding accounts receivable as of September 30, 2014, and these amounts are included in accounts receivable, net in the Company’s Condensed Consolidated Balance Sheet at September 30, 2014. The Company had $350.0 million of outstanding borrowings under the Receivables Facility as of September 30, 2014.

Revolving Credit Facility and Commercial Paper

On December 2, 2011, the Company entered into a credit agreement (the “Credit Agreement”) with a syndicate of banks. As extended, the Credit Agreement provides for an unsecured syndicated revolving credit facility with a maturity date of December 2018, and an aggregate commitment at any time outstanding of up to $800.0 million (the “Facility”). The Facility also provides

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for the issuance of up to $100.0 million of letters of credit, so long as there is a sufficient amount available for borrowing under the Facility. The Credit Agreement contains customary representations and warranties, covenants and events of default. As of September 30, 2014, there were no borrowings outstanding or standby letters of credit issued under the Facility, and the Company was in compliance with the covenants under the Credit Agreement.

In addition to the committed portion of the Facility, the Credit Agreement provides for extensions of competitive bid loans from one or more lenders (at the lenders' discretion) of up to $500.0 million, which are not a utilization of the amount available for borrowing under the Facility.

In lieu of borrowings under the Facility, the Company may issue up to $800.0 million of commercial paper. The Facility provides the committed backup liquidity required to issue commercial paper. Accordingly, commercial paper may be issued only up to the amount available for borrowing under the Facility. As of September 30, 2014 and December 31, 2013, the Company had outstanding commercial paper obligations of $161.4 million and $95.0 million, respectively.

Footnote 8 — Derivatives

The use of financial instruments, including derivatives, exposes the Company to market risk related to changes in interest rates, foreign currency exchange rates and commodity prices. The Company primarily uses derivatives to manage its interest rate exposure, to achieve a desired proportion of variable and fixed-rate debt, to manage the risk associated with the volatility of future cash flows denominated in foreign currencies and to manage changes in fair value resulting from changes in foreign currency exchange rates.

The Company enters into interest rate swaps related to existing debt obligations with initial maturities ranging from five to ten years. The Company uses interest rate swap agreements to manage its interest rate exposure and to achieve a desired proportion of variable and fixed-rate debt. These derivatives are designated as fair value hedges based on the nature of the risk being hedged. The Company also uses derivatives to hedge interest rates on anticipated issuances of debt securities occurring within one year or less of the inception date of the derivative, and the Company uses these instruments to reduce the volatility in future interest payments that would be made pursuant to the anticipated debt issuances. These derivatives are designated as cash flow hedges.

The Company's foreign exchange risk management policy generally emphasizes hedging transaction exposures of one-year duration or less and hedging foreign currency intercompany financing activities with derivatives with maturity dates of one year or less. The Company uses derivative instruments to hedge various foreign exchange exposures, including the following: (i) variability in foreign currency-denominated cash flows, such as the hedges of inventory purchases for products produced in one currency and sold in another currency and (ii) currency risk associated with foreign currency-denominated operating assets and liabilities, such as forward contracts and other instruments that hedge cash flows associated with intercompany financing activities. Hedging instruments are not available for certain currencies in countries in which the Company has operations. In these cases, the Company uses alternative means in an effort to achieve an economic offset to the local currency exposure such as invoicing and/or paying intercompany and third party transactions in U.S. Dollars.

The Company reports its derivative positions in the Condensed Consolidated Balance Sheets on a gross basis and does not net asset and liability derivative positions with the same counterparty. The Company monitors its positions with, and the credit quality of, the financial institutions that are parties to its financial transactions. Gains and losses from changes in fair values of derivatives that are not designated as hedges for accounting purposes are recognized currently in earnings, and such amounts were not material for the three and nine months ended September 30, 2014 and 2013.

The following table summarizes the Company's outstanding derivative instruments and their effects on the Condensed Consolidated Balance Sheets as of September 30, 2014 and December 31, 2013 (in millions):

		Assets			Liabilities	
Derivatives designated as hedging instruments	Balance Sheet Location	September 30, 2014	December 31, 2013	Balance Sheet Location	September 30, 2014	December 31, 2013
Interest rate swaps	Other assets	$19.0	$23.1	Other noncurrent liabilities	$23.2	$35.5
		6.0	2.9		1.5	1.2

Foreign exchange contracts on inventory-related purchases	Prepaid expenses and other and other assets			Other accrued liabilities		
Foreign exchange contracts on intercompany borrowings	Prepaid expenses and other	0.3	—	Other accrued liabilities	—	0.2
Total assets		$25.3	$26.0	Total liabilities	$24.7	$36.9

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The fair values of outstanding derivatives that are not designated as hedges for accounting purposes were not material as of September 30, 2014 and December 31, 2013.
The Company is not a party to any derivatives that require collateral to be posted prior to settlement.

Fair Value Hedges

The following table presents the pretax effects of derivative instruments designated as fair value hedges on the Company's Condensed Consolidated Statements of Operations (in millions):

Derivatives in fair value hedging relationships	Location of gain (loss) recognized in income	Amount of gain (loss) recognized in income Three Months Ended September 30, 2014	2013	Nine Months Ended September 30, 2014	2013
Interest rate swaps	Interest expense, net	$(5.3)	$2.3	$8.2	$(34.7)
Fixed-rate debt	Interest expense, net	$5.3	$(2.3)	$(8.2)	$34.7

The Company did not realize any ineffectiveness related to fair value hedges during the three and nine months ended September 30, 2014 and 2013.

Cash Flow Hedges

The following table presents the pretax effects of derivative instruments designated as cash flow hedges on the Company's Condensed Consolidated Statements of Operations and accumulated other comprehensive income (loss) ("AOCI") (in millions):

Derivatives in cash flow hedging relationships	Location of gain (loss) recognized in income	Amount of gain (loss) reclassified from AOCI into income Three Months Ended September 30, 2014	2013	Nine Months Ended September 30, 2014	2013
Foreign exchange contracts on inventory-related purchases	Cost of products sold	$0.2	$0.7	$2.6	$2.9
Foreign exchange contracts on intercompany borrowings	Interest expense, net	—	—	0.1	—
Forward interest rate swaps	Interest expense, net	(0.1)	(0.2)	(0.5)	(0.6)
		$0.1	$0.5	$2.2	$2.3

Derivatives in cash flow hedging relationships	Amount of gain (loss) recognized in AOCI Three Months Ended September 30, 2014	2013	Nine Months Ended September 30, 2014	2013
Foreign exchange contracts on inventory-related purchases	$7.9	$(1.0)	$5.5	$3.3
Foreign exchange contracts on intercompany borrowings	2.2	(1.9)	2.3	(0.1)
	$10.1	$(2.9)	$7.8	$3.2

The Company did not realize any ineffectiveness related to cash flow hedges during the three and nine months ended September 30, 2014 and 2013. As of September 30, 2014, the Company expects to reclassify net gains of $3.8 million into earnings during the next 12 months.

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Footnote 9 — Employee Benefit and Retirement Plans

The following table presents the components of the Company's pension cost, including supplemental retirement plans, for the three months ended September 30, (in millions):

	U.S.		International	
	2014	2013	2014	2013
Service cost-benefits earned during the period	$1.0	$0.7	$1.5	$1.9
Interest cost on projected benefit obligation	11.3	10.0	6.4	6.0
Expected return on plan assets	(14.4)	(14.7)	(6.7)	(5.8)
Amortization of prior service cost, actuarial loss and other	6.1	7.8	0.8	0.8
Net periodic pension cost	$4.0	$3.8	$2.0	$2.9

The following table presents the components of the Company's pension cost, including supplemental retirement plans, for the nine months ended September 30, (in millions):

	U.S.		International	
	2014	2013	2014	2013
Service cost-benefits earned during the period	$3.0	$2.1	$4.5	$5.7
Interest cost on projected benefit obligation	33.8	30.0	19.2	18.0
Expected return on plan assets	(43.1)	(44.1)	(20.1)	(17.4)
Amortization of prior service cost, actuarial loss and other	18.3	23.4	2.4	3.9
Net periodic pension cost	$12.0	$11.4	$6.0	$10.2

The following table presents the components of the Company's other postretirement benefit costs for the three and nine months ended September 30, (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Service cost-benefits earned during the period	$0.2	$0.3	$0.8	$0.9
Interest cost on projected benefit obligation	1.2	1.4	3.6	4.2
Amortization of prior service benefit and actuarial loss, net	(1.6)	(0.4)	(4.8)	(1.2)
Net other postretirement benefit cost	$(0.2)	$1.3	$(0.4)	$3.9

The Company made cash contributions to the Company-sponsored profit sharing plan of $16.1 million and $17.6 million during the nine months ended September 30, 2014 and 2013, respectively.

In September 2014, the Company commenced an offer to approximately 5,700 former employees who have deferred vested benefits under the Company's tax-qualified U.S. pension plan. These former employees have the opportunity to make a one-time election to receive a lump-sum distribution of the present value of their benefits by the end of 2014. The benefit obligation associated with these former employees is approximately $200 million, equivalent to approximately 20% of the Company's benefit obligation for its U.S. tax-qualified pension plan. The cash payments to those electing the lump sum distribution will be made from the pension plan assets. Therefore, the lump sum payment offer will not impact the Company's cash flow. Depending on the acceptance rate of the offer, the Company may be required to recognize a one-time, non-cash settlement charge in the fourth quarter of 2014. The Company will not be able to determine the amount of the fourth quarter charge until the offer is completed.

Footnote 10 — Income Taxes

The Company's income tax expense and resulting effective tax rate are based upon the respective estimated annual effective tax rates applicable for the respective periods adjusted for the effects of items required to be treated as discrete to the period, including changes in tax laws, changes in estimated exposures for uncertain tax positions and other items.

The Company's effective tax rate for the nine months ended September 30, 2014 included tax benefits of $17.1 million related to the reduction of the valuation allowance related to certain net deferred tax assets of its international operations and $11.2 million related to the resolution of certain tax contingencies. The Company's effective tax rate for the nine months ended September 30,

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2013 included tax benefits of $13.1 million, including $8.3 million of net tax benefits associated with the recognition of incremental deferred taxes and $4.8 million associated with the resolution of certain tax contingencies. Included in the $8.3 million of net tax benefits is the reversal of a valuation allowance on a deferred tax asset of $14.6 million.

The Company's effective tax rates for the nine months ended September 30, 2014 and 2013 were also impacted by the geographical mix in earnings and other discrete items recorded in the periods.

Footnote 11 — Earnings per Share

The calculation of basic and diluted earnings per share is as follows (in millions, except per share data):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Numerator for basic and diluted earnings per share:				
Income from continuing operations	$122.9	$122.2	$323.7	$300.0
(Loss) income from discontinued operations	(0.6)	71.1	2.1	57.3
Net income	$122.3	$193.3	$325.8	$357.3
Dividends and equivalents for share-based awards expected to be forfeited	0.1	—	0.1	—
Net income for basic and diluted earnings per share	$122.4	$193.3	$325.9	$357.3
Denominator for basic and diluted earnings per share:				
Weighted-average shares outstanding	271.7	287.7	275.3	287.8
Share-based payment awards classified as participating securities	1.8	2.4	1.9	2.5
Denominator for basic earnings per share	273.5	290.1	277.2	290.3
Dilutive securities (1)	2.9	2.8	2.7	3.1
Denominator for diluted earnings per share	276.4	292.9	279.9	293.4
Basic earnings per share:				
Income from continuing operations	$0.45	$0.42	$1.17	$1.03
(Loss) income from discontinued operations	$—	$0.25	$0.01	$0.20
Net income	$0.45	$0.67	$1.18	$1.23
Diluted earnings per share:				
Income from continuing operations	$0.44	$0.42	$1.16	$1.02
(Loss) income from discontinued operations	$—	$0.24	$0.01	$0.20
Net income	$0.44	$0.66	$1.16	$1.22

(1) Dilutive securities include "in the money" options, non-participating restricted stock units and performance stock units. The weighted-average shares outstanding exclude the effect of 1.9 million stock options for the three months ended September 30, 2013, and 0.3 million and 2.5 million stock options for the nine months ended September 30, 2014 and 2013, respectively, because such securities were anti-dilutive.

Footnote 12 — Stock-Based Compensation

The Company measures compensation cost for all stock awards at fair value on the date of grant and recognizes compensation cost, net of estimated forfeitures, over the requisite service period for awards expected to vest. The Company recognized $6.8 million and $8.0 million of pretax stock-based compensation expense during the three months ended September 30, 2014 and 2013, respectively, and $21.3 million and $27.7 million during the nine months ended September 30, 2014 and 2013, respectively.

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The following table summarizes the changes in the number of shares of common stock underlying outstanding stock options for the nine months ended September 30, 2014 (in millions, except weighted-average exercise prices):

	Shares	Weighted-Average Exercise Price	Exercisable at Period End	Aggregate Intrinsic Value Exercisable
Outstanding at December 31, 2013	5.9	$22	5.3	$53.3
Exercised	(2.4)	24		
Forfeited / expired	(0.2)	27		
Outstanding at September 30, 2014	3.3	$20	3.3	$48.3

The following table summarizes the changes in the number of outstanding restricted stock units for the nine months ended September 30, 2014 (shares in millions):

	Restricted Stock Units	Weighted-Average Grant Date Fair Value
Outstanding at December 31, 2013	4.2	$ 22
Granted	1.2	32
Vested	(1.1)	21
Forfeited	(0.5)	25
Outstanding at September 30, 2014	3.8	$ 25

During the nine months ended September 30, 2014, the Company awarded 0.7 million performance stock units which entitle recipients to shares of the Company’s stock at the end of a three-year vesting period, if specified market conditions are achieved (“PSUs”). The PSUs entitle recipients to shares of common stock equal to 0% up to 200% of the number of units granted at the vesting date depending on the level of achievement of the specified market and service conditions. As of September 30, 2014, 1.9 million PSUs were outstanding, and based on performance through September 30, 2014, recipients of PSUs would be entitled to 3.0 million shares at the vesting date. The PSUs are included in the preceding table as if the participants earn shares equal to 100% of the units granted.

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Footnote 13 — Fair Value Disclosures

Recurring Fair Value Measurements

The following tables present the Company’s non-pension financial assets and liabilities which are measured at fair value on a recurring basis (in millions):

Fair Value as of September 30, 2014	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Investment securities, including mutual funds (1)	$20.8	$8.7	$ 12.1	$ —
Interest rate swaps	19.0	—	19.0	—
Foreign currency derivatives	6.3	—	6.3	—
Total	$46.1	$8.7	$ 37.4	$ —
Liabilities				
Interest rate swaps	$23.2	$—	$ 23.2	$ —
Foreign currency derivatives	1.5	—	1.5	—
Total	$24.7	$—	$ 24.7	$ —
Fair Value as of December 31, 2013				
Assets				
Investment securities, including mutual funds (1)	$21.3	$8.7	$ 12.6	$ —
Interest rate swaps	23.1	—	23.1	—
Foreign currency derivatives	2.9	—	2.9	—
Total	$47.3	$8.7	$ 38.6	$ —
Liabilities				
Interest rate swaps	$35.5	$—	$ 35.5	$ —
Foreign currency derivatives	1.4	—	1.4	—
Total	$36.9	$—	$ 36.9	$ —

(1) The values of investment securities, including mutual funds, are classified as cash and cash equivalents ($6.4 million and $10.9 million as of September 30, 2014 and December 31, 2013, respectively) and other assets ($14.4 million and $10.3 million as of September 30, 2014 and December 31, 2013, respectively).

For publicly-traded mutual funds, fair value is determined on the basis of quoted market prices and, accordingly, such investments have been classified as Level 1. Other investment securities are valued at the net asset value per share or unit multiplied by the number of shares or units held as of the measurement date and have been classified as Level 2. The Company determines the fair value of its derivative instruments using standard pricing models and market-based assumptions for all significant inputs, such as yield curves and quoted spot and forward exchange rates. Accordingly, the Company’s derivative instruments are classified as Level 2.

Nonrecurring Fair Value Measurements

The Company’s nonfinancial assets which are measured at fair value on a nonrecurring basis include property, plant and equipment, goodwill, intangible assets and certain other assets.

During the three months ended September 30, 2014, the Company performed the annual impairment tests of goodwill and indefinite-lived intangible assets and concluded that no impairment charges were necessary. In testing goodwill and indefinite-lived intangible assets for impairment, management relies on a number of factors including operating results, business plans, economic projections, anticipated future cash flows, transactions and market place data.

Accordingly, these fair value measurements fall in the Level 3 category of the fair value hierarchy. The factors used by management in the impairment analysis are inherently subject to uncertainty. While the Company believes it has made reasonable estimates and assumptions to determine the fair value of its reporting units and indefinite-lived intangible assets, if actual results are not consistent with management's estimates and assumptions, goodwill and other intangible assets may be overstated and could potentially trigger impairment charges.

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During the nine months ended September 30, 2014, impairments associated with plans to dispose of certain property, plant and equipment were not material. In the absence of a definitive sales price for these and similar types of assets, the Company generally uses projected cash flows, discounted as necessary, or market multiples to estimate the fair values of the impaired assets using key inputs such as management's projections of cash flows on a held-and-used basis (if applicable), management's projections of cash flows upon disposition and discount rates. Key inputs into the market multiple approach include identifying companies comparable to the Company's business and estimated control premiums. Accordingly, these fair value measurements fall in Level 3 of the fair value hierarchy. These assets and certain liabilities are measured at fair value on a nonrecurring basis as part of the Company's impairment assessments and as circumstances require.

Financial Instruments

The Company's financial instruments include cash and cash equivalents, accounts receivable, accounts payable, derivative instruments, notes payable and short and long-term debt. The carrying values for current financial assets and liabilities, including cash and cash equivalents, accounts receivable, accounts payable and short-term debt approximate fair value due to the short maturity of such instruments. The fair values of the Company's derivative instruments are recorded in the Condensed Consolidated Balance Sheets and are disclosed in Footnote 8.

The fair values of the Company's medium-term notes are based on quoted market prices (Level 1) and are as follows (in millions):

	September 30, 2014		December 31, 2013	
	Fair Value	Book Value	Fair Value	Book Value
Medium-term notes	$1,762.8	$1,668.0	$1,753.0	$1,659.8

The carrying amounts of all other significant debt approximate fair value.

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Footnote 14 — Segment Information

The Company's reportable segments are as follows:

Segment	Key Brands	Description of Primary Products
Writing	Sharpie®, Paper Mate®, Expo®, Parker®, Waterman®, Dymo® Office	Writing instruments, including markers and highlighters, pens and pencils; art products; fine writing instruments; and office technology solutions, including labeling
Home Solutions	Rubbermaid®, Contigo®, Calphalon®, Levolor®, Goody®	Indoor/outdoor organization, food storage and home storage products; durable beverage containers; gourmet cookware, bakeware and cutlery; drapery hardware and window treatments; hair care accessories
Tools	Irwin®, Lenox®, hilmor,™ Dymo® Industrial	Hand tools and power tool accessories; industrial bandsaw blades; tools for pipes and HVAC systems; label makers for industrial use
Commercial Products	Rubbermaid Commercial Products®, Rubbermaid® Healthcare	Cleaning and refuse products, hygiene systems, material handling solutions; medical and computer carts and wall-mounted workstations
Baby & Parenting	Graco®, Aprica®, Teutonia®	Infant and juvenile products such as car seats, strollers, highchairs and playards

The Company's segment and geographic results are as follows for the periods indicated (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Net Sales (1)				
Writing	$453.2	$442.2	$1,290.7	$1,235.2
Home Solutions	417.0	422.8	1,116.8	1,146.3
Tools	214.8	210.6	624.9	597.2
Commercial Products	218.0	196.3	624.1	583.0
Baby & Parenting	181.5	194.2	544.5	580.0
	$1,484.5	$1,466.1	$4,201.0	$4,141.7
Operating Income (Loss) (2)				
Writing	$108.3	$107.9	$313.5	$289.9
Home Solutions	60.9	67.1	136.4	155.7
Tools	22.1	12.3	73.4	49.3
Commercial Products	27.5	23.5	77.5	67.0
Baby & Parenting	8.2	23.9	25.8	71.6
Restructuring costs	(19.7)	(31.3)	(43.2)	(97.7)
Corporate	(34.1)	(24.9)	(92.2)	(78.1)
	$173.2	$178.5	$491.2	$457.7

	September 30, 2014	December 31, 2013
Identifiable Assets		
Writing	$976.8	$931.2
Home Solutions	772.7	559.4
Tools	642.1	595.7
Commercial Products	359.8	343.3
Baby & Parenting	304.1	321.9
Corporate (3)	3,293.7	3,318.2
	$6,349.2	$6,069.7

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Geographic Area Information

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	2014	2013	2014	2013
Net Sales [(1), (4)]				
United States	$1,034.3	$1,015.3	$2,884.1	$2,810.7
Canada	79.0	84.8	208.9	230.0
Total North America	1,113.3	1,100.1	3,093.0	3,040.7
Europe, Middle East and Africa	156.1	162.5	508.3	510.7
Latin America	116.0	104.3	310.8	281.7
Asia Pacific	99.1	99.2	288.9	308.6
Total International	371.2	366.0	1,108.0	1,101.0
	$1,484.5	$1,466.1	$4,201.0	$4,141.7
Operating Income (Loss) [(2), (5)]				
United States	$127.3	$142.3	$350.8	$376.1
Canada	16.6	19.3	45.9	50.8
Total North America	143.9	161.6	396.7	426.9
Europe, Middle East and Africa	13.8	(6.3)	51.1	(30.0)
Latin America	13.6	11.9	33.6	20.0
Asia Pacific	1.9	11.3	9.8	40.8
Total International	29.3	16.9	94.5	30.8
	$173.2	$178.5	$491.2	$457.7

(1) All intercompany transactions have been eliminated. Sales to Wal-Mart Stores, Inc. and subsidiaries amounted to approximately 12.7% and 13.9% of consolidated net sales in the three months ended September 30, 2014 and 2013, respectively, and approximately 11.0% and 11.3% of consolidated net sales in the nine months ended September 30, 2014 and 2013, respectively.

(2) Operating income (loss) by segment is net sales less cost of products sold and selling, general & administrative ("SG&A") expenses for continuing operations. Operating income by geographic area is net sales less cost of products sold, SG&A expenses, restructuring costs and impairment charges, if any, for continuing operations. Certain headquarters expenses of an operational nature are allocated to business segments and geographic areas primarily on a net sales basis. Depreciation and amortization is allocated to the segments on a percentage of sales basis, and the allocated depreciation and amortization is included in segment operating income.

(3) Corporate assets primarily include goodwill, capitalized software, cash, benefit plan assets and deferred tax assets.

(4) Geographic sales information is based on the region from which the products are shipped and invoiced.

(5) The following table summarizes the restructuring costs by region included in operating income (loss) above (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Restructuring Costs				
United States	$9.9	$9.1	$22.7	$21.9
Canada	1.8	0.1	1.9	0.1
Total North America	11.7	9.2	24.6	22.0
Europe, Middle East and Africa	4.8	19.3	13.5	67.6

Latin America	0.6	0.6	0.9	4.2
Asia Pacific	2.6	2.2	4.2	3.9
Total International	8.0	22.1	18.6	75.7
	$19.7	$31.3	$43.2	$97.7

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Footnote 15 — Other Accrued Liabilities
Other accrued liabilities included the following (in millions):

	September 30, 2014	December 31, 2013
Customer accruals	$305.9	$292.6
Accruals for manufacturing, marketing and freight expenses	106.5	89.8
Accrued self-insurance liabilities	58.3	58.5
Accrued pension, defined contribution and other postretirement benefits	36.4	46.5
Accrued contingencies, primarily legal, environmental and warranty	32.2	35.0
Accrued restructuring (See Footnote 5)	50.9	76.7
Other	114.4	104.4
Other accrued liabilities	$704.6	$703.5

Customer accruals are promotional allowances and rebates, including cooperative advertising, given to customers in exchange for their selling efforts and volume purchased as well as allowances for returns. The self-insurance accrual is primarily casualty liabilities such as workers' compensation, general and product liability and auto liability and is estimated based upon historical loss experience combined with actuarial evaluation methods, review of significant individual files and the application of risk transfer programs.

Footnote 16 — Litigation and Contingencies
The Company is involved in legal proceedings in the ordinary course of its business. These proceedings include claims for damages arising out of use of the Company's products, allegations of infringement of intellectual property, commercial disputes and employment matters, as well as environmental matters. Some of the legal proceedings include claims for punitive as well as compensatory damages, and certain proceedings may purport to be class actions.
The Company, using current product sales data and historical trends, actuarially calculates the estimate of its exposure for product liability. The Company had product liability reserves of $34.0 million and $34.4 million as of September 30, 2014 and December 31, 2013, respectively. The Company is insured for product liability claims for amounts in excess of established deductibles and accrues for the estimated liability as described up to the limits of the deductibles. All other claims and lawsuits are handled on a case-by-case basis.
Recall of Harness Buckles on Select Car Seats

In February 2014, Graco, a subsidiary of the Company, announced a voluntary recall in the U.S. of harness buckles used on approximately 4 million toddler car seats manufactured between 2006 and 2013. As a result of the recall, substantially all affected car seats which were at retail locations or in customer warehouses have been reworked in the field or returned to the Company for rework. In July 2014, Graco announced that it had agreed to expand the recall to include certain infant car seats manufactured between July 2010 and May 2013. There have been no reported injuries associated with the recalled harness buckles used on these toddler or infant car seats.

The Company recorded $13.8 million of costs during the nine months ended September 30, 2014 for the cost of the above recalls. The Company believes that any additional costs of executing the recall will not be significant. However, the amount recorded does not include any fines or penalties that may result from any governmental investigation into the circumstances related to the recalls.
Environmental Matters
The Company is involved in various matters concerning federal and state environmental laws and regulations, including matters in which the Company has been identified by the U.S. Environmental Protection Agency ("U.S. EPA") and certain state environmental agencies as a potentially responsible party ("PRP") at contaminated sites under the Federal Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA") and equivalent state laws.
In assessing its environmental response costs, the Company has considered several factors, including the extent of the Company's volumetric contribution at each site relative to that of other PRPs; the kind of waste; the terms of existing

cost sharing and other applicable agreements; the financial ability of other PRPs to share in the payment of requisite costs; the Company's prior experience with similar sites; environmental studies and cost estimates available to the Company; the effects of inflation on cost estimates; and the extent to which the Company's, and other parties', status as PRPs is disputed.

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The Company’s estimate of environmental response costs associated with these matters as of September 30, 2014 ranged between $23.0 million and $28.2 million. As of September 30, 2014, the Company had a reserve of $23.4 million for such environmental remediation and response costs in the aggregate, which is included in other accrued liabilities and other noncurrent liabilities in the Condensed Consolidated Balance Sheet. No insurance recovery was taken into account in determining the Company’s cost estimates or reserves, nor do the Company’s cost estimates or reserves reflect any discounting for present value purposes, except with respect to certain long-term operations and maintenance CERCLA matters, which are estimated at their present value of $16.6 million by applying a 5% discount rate to undiscounted obligations of $24.0 million.

Two of the Company’s subsidiaries, Goody Products, Inc. and Berol Corporation (the “Company Parties”), were among over 300 entities named by Maxus Energy Corporation (“Maxus”) and Tierra Solutions, Inc. (“Tierra”) as third-party defendants in New Jersey Department of Environmental Protection, et al. (collectively “DEP”) v. Occidental Chemical Corporation, et al., pending in the Superior Court of New Jersey, Law Division - Essex County. In the third-party complaint, Maxus and Tierra alleged that releases from two facilities formerly operated by the Company Parties contributed to contamination in the Passaic River and other bodies of water and seek contribution for certain clean-up and removal costs, as well as other damages for which they may be found liable to DEP. The Company Parties and other third-party defendants as well as all of the direct defendants with the exception of Occidental Chemical Corporation (“OCC”), have completed settlements with the state, which are final and no longer subject to appeal. These settlements resulted in dismissal of all third-party defendants and all of the state’s claims against the direct defendants, with the exception of its claims against OCC and OCC’s cross-claims against the other direct defendants. The finalized settlements further resulted in the state’s recovery of all of its past costs, as well as some funding for natural resources restoration and redevelopment, subject to certain reopeners. A third, separate Settlement Agreement with OCC is pending public comment and court approval; if approved the OCC settlement will resolve the state’s claims against OCC.

In addition, U.S. EPA has issued General Notice Letters (“GNLs”) to over 100 entities, including the Company and Berol Corporation, alleging that they are PRPs at the Diamond Alkali Superfund Site, which includes a 17-mile stretch of the Lower Passaic River and its tributaries. 72 of the GNL recipients, including the Company on behalf of itself and the Company Parties, have taken over the performance of the remedial investigation and feasibility study (“RI/FS”) for the Lower Passaic River. The RI/FS work remains underway and is scheduled for completion within months. Regardless, on April 11, 2014, U.S. EPA issued a Source Control Early Action Focused Feasibility Study (“FFS”), which proposes four alternatives for remediation of the lower 8 miles of the Lower Passaic River. U.S. EPA’s cost estimates for its cleanup alternatives range from $315 million to approximately $3.2 billion in capital costs plus from $0.5 million to $1.8 million in annual maintenance costs for 30 years, with its preferred alternative carrying an estimated cost of approximately $1.7 billion plus an additional $1.6 million in annual maintenance costs for 30 years. The public comment period concluded August 2014; U.S. EPA is expected to issue its final Record of Decision in 2015. U.S. EPA has indicated that it will seek to have the parties fund the cleanup, but at this time, it is unclear how the cost of any cleanup would be allocated among any of the parties, including the Company Parties, or any other entities. The site is also subject to a Natural Resource Damage Assessment.

Given the uncertainties pertaining to this matter, including that the litigation and RI/FS are ongoing, the ultimate remediation has not yet been determined, the parties have not agreed upon a final allocation for the investigation and any ultimate remediation, the extent to which the Company Parties may be held liable or responsible is not yet known. Accordingly, it is not possible at this time for the Company to estimate its ultimate liability related to this matter. Based on currently known facts and circumstances, the Company does not believe that this matter is reasonably