UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K/A
(Amendment No. 1)

CURRENT REPORT

**Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): October 3, 2011

SEALED AIR CORPORATION
(Exact Name of Registrant as Specified in its Charter)

Delaware	1-12139	65-0654331
(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(IRS Employer Identification No.)

200 Riverfront Boulevard Elmwood Park, New Jersey	07407
(Address of Principal Executive Offices)	(Zip Code)

Registrant's telephone number, including area code: 201-791-7600

Not Applicable
(Former Name or Former Address, If Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.05 Costs Associated with Exit or Disposal Activities.

Restructuring Plan Associated With Integration of Diversey Operations.

On December 14, 2011, Sealed Air Corporation's (the "Company," "we," "our," or "us") announced to its senior management the commencement of a restructuring plan associated with the integration of Diversey Holdings, Inc.'s ("Diversey") business following its acquisition on October 3, 2011, which was previously discussed in our third quarter earnings release. The plan primarily consists of (i) a reduction in headcount, (ii) the consolidation of facilities, and (iii) the consolidation and streamlining of certain customer and vendor contracts and relationships and is expected to be completed by the end of 2013.

Item 7.01 Regulation FD Disclosure.

(a) Press Release

On December 19, 2011, we issued a press release presenting supplemental information in connection with this Form 8-K/A. We have attached the press release as Exhibit 99.3 of this Form 8-K/A, which is incorporated herein by reference.

(b) Diversey Information

We are furnishing information under this Item 7.01(b), including Exhibits 99.4, 99.5 and 99.6, which are incorporated herein by reference, to provide business and financial information with respect to Diversey. Specifically, this Item 7.01(b) provides: (i) a description of the business of Diversey in Exhibit 99.4, "Diversey Business," (ii) a discussion and analysis of Diversey's financial condition and results of operations in Exhibit 99.5, "Diversey Management's Discussion and Analysis of Financial Condition and Results of Operations," and (iii) the unaudited historical condensed consolidated financial statements of Diversey as of and for the six months ended July 1, 2011 and 2010 and the related notes in Exhibit 99.6. This information is excerpted, without revisions, from an offering memorandum that has been disseminated in connection with an offering of senior notes by the Company in September 2011. As a result, the discussion and analysis of historical periods and the forward-looking statements included in Exhibits 99.4, 99.5 and 99.6 do not reflect the significant impact of the acquisition and the other transactions consummated in connection with the acquisition.

The information in this Item 7.01 of this Form 8-K/A and the exhibits attached hereto are being furnished and shall not be deemed "filed" for purposes of Section 18 of the Exchange Act, nor shall they be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, except as may be expressly set forth by specific reference in such filing.

Item 8.01 Other Events.

This Current Report on Form 8-K/A filed with the Securities and Exchange Commission, ("SEC") on December 19, 2011 ("Form 8-K/A") amends the Current Report on Form 8-K filed by us on October 4, 2011 ("Original Form 8-K"), which disclosed information about the October 3, 2011 closing of our acquisition of Diversey. We are providing this Form 8-K/A to include the financial statements and exhibits required by Item 9.01(a) Financial Statements of Business Acquired and Item 9.01(b) Pro Forma Financial Information.

Item 9.01 Financial Statements and Exhibits.

(a) Financial Statements of Business Acquired.

Diversey

Attached as Exhibit 99.1 hereto are the audited historical consolidated financial statements of Diversey as of December 31, 2010 and 2009 and for each of the years in the three-year period ended December 31, 2010 and the related notes.

Attached as Exhibit 99.2 hereto are the unaudited historical condensed consolidated financial statements of Diversey as of and for the nine months ended September 30, 2011 and 2010 and the related notes, which are incorporated herein by reference.

(b) Pro forma financial information.

Attached hereto are our:

- Unaudited pro forma condensed combined statement of operations for the nine months ended September 30, 2011;
- Unaudited pro forma condensed combined balance sheet as of September 30, 2011;
- Unaudited pro forma condensed combined statement of operations for the year ended December 31, 2010; and
- Notes to unaudited pro forma condensed combined financial statements.

Cautionary Notice Regarding Forward-Looking Statements

This Form 8-K/A may contain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 concerning our business, consolidated financial condition and results of operations. All statements other than statements of historical facts included in this report regarding our strategies, prospects, financial condition, costs, plans and objectives are forward-looking statements. Forward-looking statements can be identified by such words as “anticipates,” “believes,” “plan,” “assumes,” “could,” “should,” “estimates,” “expects,” “intends,” “potential,” “seek,” “predict,” “may,” “will” and similar expressions. These forward-looking statements are based upon our current expectations concerning future events and discuss, among other things, anticipated future financial performance and future business plans. Forward-looking statements are necessarily subject to risks and uncertainties, many of which are outside our control, that could cause actual results to differ materially from these statements.

The following are important factors that we believe could cause actual results to differ materially from those in our forward-looking statements: the implementation of our Settlement agreement regarding the various asbestos-related, fraudulent transfer, successor liability, and indemnification claims made against the Company arising from a 1998 transaction with W. R. Grace & Co.; general global economic and political conditions, particularly as they affect the use of our products and services; credit ratings; changes in raw material pricing and availability; changes in energy costs; competitive conditions and contract terms; currency translation and devaluation effects, including in Venezuela; the success of our financial growth, profitability and manufacturing strategies and our cost reduction and productivity efforts; the effects of animal and food-related health issues; pandemics; environmental matters; regulatory actions and legal matters; successful integration of Diversey following the acquisition and the other information referenced under Item 1A, “Risk Factors” included in our Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2011. Except as required by the federal securities laws, we undertake no obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

Throughout this report, when we refer to the “Transactions,” or the “acquisition and related transactions” we are referring to the acquisition and related transactions as described in Note 1, “The Acquisition and Related Transactions.”

We present the unaudited pro forma condensed combined financial information below for informational and illustrative purposes in accordance with Article 11 of SEC Regulation S-X. Such information is preliminary and based on currently available information and assumptions that we believe are reasonable but may be subject to change.

We have prepared the following unaudited pro forma condensed combined financial statements:

- Unaudited Pro Forma Condensed Combined Statement of Operations for the nine months ended September 30, 2011;
- Unaudited Pro Forma Condensed Combined Statement of Operations for the year ended December 31, 2010; and
- Unaudited Pro Forma Condensed Combined Balance Sheet as of September 30, 2011.

The unaudited pro forma condensed combined financial information was based on and should be read in conjunction with;

- separate audited historical consolidated financial statements of Sealed Air as of December 31, 2010 and 2009 and for each of the years in the three-year period ended December 31, 2010 and the related notes;
- separate unaudited historical condensed consolidated financial statements of Sealed Air as of and for the nine month periods ended September 30, 2011 and 2010 and the related notes;
- separate audited historical consolidated financial statements of Diversey as of December 31, 2010 and 2009 and for each of the years in the three-year period ended December 31, 2010 and the related notes; and
- separate unaudited historical condensed consolidated financial statements of Diversey as of and for the nine months ended September 30, 2011 and 2010 and the related notes.

Sealed Air Corporation

Unaudited Pro Forma Condensed Combined Statement of Operations
For the Nine Months Ended September 30, 2011
(In millions, except per share data)

	As Reported		Pro Forma		Pro Forma
	Sealed Air	Diversey	Adjustment	Notes	Combined
Total net sales	**$3,588.2**	**$2,464.5**	$ —		**$6,052.7**
Cost of sales	2,619.2	1,451.7	(103.9)	A	3,967.0
Gross profit	**969.0**	**1,012.8**	**103.9**		**2,085.7**
As a % of total net sales	*27.0%*	*41.1%*			*34.5%*
Marketing, administrative and development expenses	556.5	817.9	188.4	B	1,562.8
As a % of total net sales	*15.5%*	*33.1%*			*25.8%*
Costs related to the acquisition of Diversey	30.7	5.5	(36.2)	C	—
Restructuring and other (credits) charges	(0.2)	(1.4)	—		(1.6)
Operating profit	**382.0**	**190.8**	**(48.3)**		**524.5**
As a % of total net sales	*10.6%*	*7.7%*			*8.7%*
Interest expense	(110.5)	(96.9)	(88.2)	D	(295.6)
Foreign currency exchange (losses) gains related to Venezuelan subsidiaries	(0.2)	0.1	—		(0.1)
Other income, net	0.9	2.8	(6.3)	E	(2.6)
Earnings from continuing operations before income tax provision	**272.2**	**96.8**	**(142.8)**		**226.2**
Income tax provision	73.8	56.5	(30.2)	F	100.1
Effective income tax rate	*27.1%*	*58.4%*			*44.3%*
Net earnings from continuing operations available to common stockholders	**$ 198.4**	**$ 40.3**	**$ (112.6)**		**$ 126.1**
Net earnings from continuing operations available per common share:					
Basic	**$ 1.24**				**$ 0.66**
Diluted	**$ 1.11**				**$ 0.60**
Weighted average number of common shares outstanding:					
Basic	**159.1**		**31.7**	**G**	**190.8**
Diluted	**177.5**		**31.7**	**G**	**209.2**

See accompanying notes to the unaudited pro forma condensed combined financial statements.

Sealed Air Corporation

Unaudited Pro Forma Condensed Combined Statement of Operations
For the Year Ended December 31, 2010
(In millions, except per share data)

	As Reported		Pro Forma		Pro Forma
	Sealed Air	Diversey	Adjustment	Notes	Combined
Total net sales	**$4,490.1**	**$3,127.7**	$ —		**$7,617.8**
Cost of sales	3,237.3	1,800.4	(120.1)	A	4,917.6
Gross profit	**1,252.8**	**1,327.3**	**120.1**		**2,700.2**
As a % of total net sales	*27.9%*	*42.4%*			*35.4%*
Marketing, administrative and development expenses	710.2	1,071.7	234.8	B	2,016.7
As a % of total net sales	*15.8%*	*34.3%*			*26.5%*
Restructuring and other charges (credits)	7.6	(2.3)	—		5.3
Operating profit	**535.0**	**257.9**	**(114.7)**		**678.2**
As a % of total net sales	*11.9%*	*8.2%*			*8.9%*
Interest expense	(161.6)	(148.6)	(99.5)	D	(409.7)
Gain on sale of available-for-sale securities, net of impairment	5.9	—	—		5.9
Foreign currency exchange gains related to Venezuelan subsidiaries	5.5	(3.9)	—		1.6
Loss on debt redemption	(38.5)	—	—		(38.5)
Other expense, net	(2.9)	3.6	—		0.7
Earnings from continuing operations before income tax provision	**343.4**	**109.0**	**(214.2)**		**238.2**
Income tax provision	87.5	65.9	(38.4)	F	115.0
Effective income tax rate	*25.5%*	*60.5%*			*48.3%*
Net earnings from continuing operations available to common stockholders	**$ 255.9**	**$ 43.1**	**$ (175.8)**		**$ 123.2**
Net earnings from continuing operations available per common share:					
Basic	**$ 1.61**				**$ 0.65**
Diluted	**$ 1.44**				**$ 0.59**
Weighted average number of common shares outstanding:					
Basic	**158.3**		**31.7**	**G**	**190.0**
Diluted	**176.7**		**31.7**	**G**	**208.4**

See accompanying notes to the unaudited pro forma condensed combined financial statements.

Sealed Air Corporation

Unaudited Pro Forma Condensed Combined Balance Sheet
As of September 30, 2011
(In millions)

	As Reported		Pro Forma		Pro Forma
	Sealed Air	Diversey	Adjustment	Notes	Combined
Assets					
Current assets:					
Cash and cash equivalents	$ 800.3	$ 109.3	$ (181.4)	H	$ 728.8
Restricted cash	—	6.3	—		6.3
Receivables, net	717.1	583.8	—		1,300.9
Receivables — related parties	—	8.8	—		8.8
Inventories	575.9	291.0	17.1	I	884.0
Deferred taxes	161.1	31.6	71.2	J	263.9
Other current assets	36.2	175.6	(10.4)	K	201.4
Total current assets	**2,290.6**	**1,206.4**	**(103.5)**		**3,393.5**
Property and equipment, net	915.2	406.5	16.8	L	1,338.5
Goodwill	1,947.6	1,263.0	1,363.1	M	4,573.7
Intangibles, net	77.6	242.1	1,327.8	N	1,647.5
Non-current deferred taxes	167.0	10.2	68.4	J	245.6
Other assets	220.3	160.6	30.9	O	411.8
Total assets	**$5,618.3**	**$3,288.8**	**$ 2,703.5**		**$11,610.6**
Liabilities and Stockholders' Equity					
Current liabilities:					
Short-term borrowings	$ 22.3	$ 54.6	$ (36.4)	P	$ 40.5
Current portion of long-term debt	1.8	9.5	(9.5)	Q	1.8
Accounts payable	279.2	310.0	—		589.2
Accounts payable — related parties	—	27.8	—		27.8
Settlement agreement and related accrued interest	820.3	—	—		820.3
Other current liabilities	412.2	419.6	14.2	R	846.0
Total current liabilities	**1,535.8**	**821.5**	**(31.7)**		**2,325.6**
Long-term debt, less current portion	1,403.6	1,443.6	2,217.3	S	5,064.5
Deferred taxes	9.5	139.0	491.8	J	640.3
Other liabilities	136.3	341.4	84.5	T	562.1
Total liabilities	**3,085.2**	**2,745.4**	**2,761.9**		**8,592.5**
Diversey contingently redeemable shares and equity awards	—	37.6	(37.6)		—
Total parent company stockholders' equity	2,538.2	505.8	(20.8)		3,023.2
Noncontrolling interests	(5.1)	—	—		(5.1)
Total stockholders' equity and Diversey contingently redeemable shares and equity awards	**2,533.1**	**543.4**	**(58.4)**	U	**3,018.1**
Total liabilities and stockholders' equity	**$5,618.3**	**$3,288.8**	**$ 2,703.5**		**$11,610.6**

See accompanying notes to the unaudited pro forma condensed combined financial statements.

Notes to the Unaudited Pro Forma Condensed Combined Financial Statements
(amounts are approximate and in millions, except per share data and unless indicated otherwise)

1. The Acquisition and Related Transactions

On October 3, 2011, we completed the acquisition of Diversey, a leading solutions provider to the global cleaning and sanitation market. Under the terms of the acquisition agreement, we paid in aggregate $2.1 billion in cash consideration and an aggregate of 31.7 million shares of Sealed Air common stock to the shareholders of Diversey. We financed the payment of the cash consideration and related fees and expenses through (a) borrowings under our new Credit Facility, (b) proceeds from our issuance of the Notes and (c) cash on hand. In connection with the acquisition, we also used our new borrowings and cash on hand to retire $1.6 billion of existing indebtedness of Diversey.

In connection with the funding of the cash consideration for the acquisition, the retirement of existing indebtedness of Diversey and to provide for ongoing liquidity requirements, on October 3, 2011, we entered into a senior secured credit facility (the "Credit Facility"). The Credit Facility consists of: (a) a $1.1 billion multicurrency term loan A facility denominated in U.S. dollars, Canadian dollars, euros and Japanese yen, ("Term Loan A Facility"), (b) a $1.2 billion multicurrency term loan B facility denominated in U.S. dollars and euros ("Term Loan B Facility") and (c) a $700 million revolving facility available in U.S. dollars, Canadian dollars, euros and Australian dollars ("Revolving Credit Facility"). The U.S. dollar denominated tranche of the Term Loan B Facility was sold to investors at 98% of its principal amount, and the euro-denominated tranche of the Term Loan B Facility was sold to investors at 97% of its principal amount. The Term Loan A Facility was sold to investors at 100% of its principal amount.

The Term Loan A Facility and the Revolving Credit Facility each have a five-year term and bear interest at either LIBOR or base rate (or an equivalent rate in the relevant currency) plus 250 basis points (bps) per annum in the case of LIBOR loans and 150 bps per annum in the case of base rate loans, provided that the interest rates shall be decreased to 225 bps and 125 bps, respectively, upon achievement of a specified leverage ratio. The Term Loan B Facility has a seven-year term. The U.S. dollar-denominated tranche bears interest at either LIBOR or base rate plus 375 bps per annum in the case of LIBOR loans and 275 bps per annum in the case of base rate loans, and the euro-denominated tranche bears interest at either EURIBOR or base rate plus 450 bps per annum in the case of EURIBOR loans and 350 bps per annum in the case of base rate loans. LIBOR and EURIBOR are subject to a 1.0% floor under the Term Loan B Facility tranches. Our obligations under the Credit Facility have been guaranteed by certain of Sealed Air's subsidiaries and secured by pledges of certain assets and the capital stock of certain of our subsidiaries.

Additionally, on October 3, 2011, we completed an offering of $750 million aggregate principal amount of 8.125% senior notes due 2019 and $750 million aggregate principal amount of 8.375% senior notes due 2021 ("Notes"). The Notes were sold to investors at 100.0% of their aggregate principal amount, and interest is payable on the Notes on March 15 and September 15 of each year, commencing March 15, 2012.

On October 3, 2011, prior to the closing of the acquisition, we used cash on hand in the amount of $263.0 million to purchase preferred stock of Diversey (the "Preferred Stock Issuance"). Diversey elected to exercise its covenant defeasance option with respect to its 10.50% senior notes due 2020 (the "DHI Notes"), and Diversey, Inc., a subsidiary of Diversey, elected to exercise its covenant defeasance option with respect to its 8.25% senior notes due 2019 (the "DI Notes"). In addition, Diversey elected to redeem 35% of the aggregate accreted value of the DHI Notes using a portion of the proceeds of the Preferred Stock Issuance, and Diversey, Inc. elected to redeem 35% of the aggregate principal amount of the DI Notes using a portion of the proceeds of the Preferred Stock Issuance that had been contributed to the equity capital of Diversey, Inc. Each such redemption occurred on November 2, 2011 (the "Equity Claw Redemption Date").

On the Equity Claw Redemption Date, 35% of the DHI Notes were redeemed at a price of 110.50% of their accreted value, plus accrued and unpaid interest to the Equity Claw Redemption Date. Additionally, 35% of the DI Notes were redeemed at a price of 108.25% of their principal amount, plus accrued and unpaid interest to the Equity Claw Redemption Date. Following the completion of these redemptions Diversey and Diversey, Inc. notified The Depository Trust Company and Wilmington Trust (the "Trustee") that they would be redeeming the remaining 65% of the DHI Notes and the DI Notes pursuant to the make-whole redemption provisions of the indentures governing the DHI Notes and the DI Notes. Each such redemption occurred on December 2, 2011. For purposes of these pro forma financial statements, we have treated these notes as extinguished as of the date of the acquisition.

2. Basis of Presentation

The accompanying unaudited pro forma condensed combined financial statements are based on the historical financial information of Sealed Air and Diversey after giving effect to the acquisition of Diversey by Sealed Air using the acquisition method of accounting under existing generally accepted accounting principles in the United States of America, ("U.S. GAAP"), which is subject to change and interpretation and applying the assumptions and adjustments described in the accompanying notes. Sealed Air has been treated as the acquirer for accounting purposes. The acquisition accounting related to this unaudited pro forma information is dependent upon certain independent valuations and other studies that are still in process and under review by management and not yet finalized. The pro forma adjustments included herein have been made solely for the purposes of providing unaudited pro forma condensed combined financial information. Differences between the estimates reflected in this unaudited pro forma information and the final acquisition accounting will likely occur, and these differences could have a material impact on the accompanying unaudited pro forma condensed combined financial information and the combined company's future consolidated financial condition or results of operations.

The unaudited pro forma condensed combined statements of operations combine the historical results for Sealed Air and Diversey for the nine months ended September 30, 2011 and for the year ended December 31, 2010 and include pro forma adjustments as if the acquisition and related transactions had occurred on January 1, 2010. The unaudited pro forma condensed combined balance sheet combines the historical results for Sealed Air and Diversey as of September 30, 2011 and includes pro forma adjustments as if the acquisition and related transactions had occurred on September 30, 2011.

The historical consolidated financial information has been adjusted in the unaudited pro forma condensed combined financial statements to give effect to pro forma events that are (1) directly attributable to the acquisition and related transactions, (2) factually supportable and (3) with respect to the statements of operations, expected to have a continuing impact on the combined company's financial results. The unaudited pro forma condensed combined financial information should be read in conjunction with the accompanying notes to the unaudited pro forma condensed combined financial statements.

The pro forma financial information is presented for informational purposes only and is not necessarily indicative of what our combined consolidated financial condition or results of operations actually would have been had we completed the acquisition at the dates indicated above. In addition, the unaudited pro forma combined financial information does not purport to project the future consolidated financial condition or results of operations of the combined company.

Also, the unaudited pro forma condensed combined financial information does not reflect any cost savings, operating synergies or revenue enhancements that the combined company may achieve as a result of the acquisition, the costs to integrate the operations of Sealed Air and Diversey or the costs necessary to achieve these costs savings, operating synergies or revenue enhancements.

There were no material transactions between Sealed Air and Diversey during the periods presented in the unaudited pro forma condensed combined financial statements that would need to be eliminated.

Some prior period as-reported amounts for Diversey have been reclassified to conform to Sealed Air's current presentation. These reclassifications, individually and in the aggregate, had no impact on the consolidated financial statements.

Throughout this report, when we refer to "Sealed Air," the "Company," "we," "our," or "us," we are referring to Sealed Air Corporation and all of our subsidiaries prior to the acquisition, except where the context indicates otherwise.

3. Accounting Policies

As a result of the continuing review of Diversey's accounting policies, we have identified differences between the accounting policies of the two companies. See Note 6, "Pro Forma Adjustments" for further details of the impact on the pro forma combined financial statements resulting from conforming these accounting polices.

Before the acquisition, Diversey recorded certain equipment leased to its customers as additions to property and equipment, net, on their consolidated balance sheets and classified the costs related to this equipment as capital expenditures included in investing activities on their consolidated statements of cash flows. Sealed Air records certain equipment leased to its customers in other assets on its consolidated balance sheet and classifies the costs related to this equipment as changes in operating assets and liabilities on its consolidated statements of cash flows. As a result of conforming these policies, Diversey's capital expenditures would have been lower by $37.3 million for the nine months ended September 30, 2011 and by $32.8 million for the year ended December 31, 2010 and, accordingly Diversey's changes in operating assets and liabilities on its consolidated statements of cash flows would have been lower by the amounts indicated above for the respective periods. On a pro forma basis, after adjusting for conforming these policies, the combined company capital expenditures would have been $119.5 million for the nine months ended September 30, 2011 and $137.4 million for the year ended December 31, 2010.

Both companies record the cost of certain leased equipment in cost of sales on their respective consolidated statements of operations. Therefore, there was and there will be no incremental impact to the condensed combined consolidated statements of operations as a result of conforming these policies. While Diversey historically included this cost in its depreciation and amortization expense and it was a component of their earnings before interest, income taxes and depreciation and amortization ("EBITDA") calculation, Sealed Air does not. These costs will not be included in depreciation and amortization expense and not included in our pro forma or future calculations of EBITDA. The related cost included in cost of sales on Diversey's consolidated statements of operations was $29.4 million for the nine months ended September 30, 2011 and $36.0 million for the year ended December 31, 2010. Currently, we anticipate this cost to be $40.0 million for the year ended December 31, 2011.

We also conformed the determination of the cost of certain of Diversey's inventories from Last-In, First-Out ("LIFO") to the First-In, First Out ("FIFO") inventory method. This policy change did not have a material impact to the pro forma combined company's condensed consolidated financial statements.

In addition we reclassified Diversey's technical customer service expense from cost of sales to marketing, administrative and development expense to conform to Sealed Air's policy for this type of expense. This policy change did not have an impact to the condensed combined consolidated statements of operations, however, it does impact the calculation of cost of sales and marketing, administrative and development expenses as a percentage of total net sales, which is presented on the condensed combined statements of operations included above.

Since we are still in the process of reviewing Diversey's accounting policies, we may identify additional differences between the accounting policies of the two companies, that, when conformed, could have a material impact on the combined company's consolidated financial condition or results of operations.

4. Consideration Transferred and Fair Value Estimate of Assets Acquired and Liabilities Assumed

Consideration Transferred

The following table summarizes the consideration transferred at the acquisition date.

Cash	$2,098.7
Fair-value-based measure of the portion of the SARs attributed to pre-acquisition service	53.0
31.7 million shares of Sealed Air common stock (at October 3, 2011 average price of $16.18 per share)	512.9
Total	$2,664.6

In connection with the acquisition, Sealed Air exchanged Diversey's cash-settled stock appreciation rights and stock options that were unvested as of May 31, 2011 and unexercised at October 3, 2011 into cash-settled stock appreciation rights based on Sealed Air common stock ("SARs"). The number of SARs was determined based on the ratio of the per share merger consideration value of $24.50 and the fair value of Sealed Air's common stock on September 30, 2011 of $16.70, or an exchange fraction of 1.46722. This resulted in 13.0 million of SARs being granted.

The fair-value-based measure of the SARs at October 3, 2011 was $104.3 million based on the assumptions as of the closing date of the acquisition. The fair value of the SARs was calculated using a Black-Scholes valuation model with assumptions with respect to each of the following variables: closing date average price; forfeiture rates; risk-free interest rates; expected volatility and a dividend yield. We included the fair value of Diversey unvested stock options converted to SARs of $53.0 million in the consideration transferred for the acquisition that was related to services rendered prior to the acquisition.

For purposes of these pro forma financial statements, we calculated pro forma adjustments for compensation expense related to the SARs of $10.5 million for the nine months ended September 30, 2011 and $16.5 million for the year ended December 31, 2010 using the same assumptions mentioned above as of the closing date of the acquisition, except that we have excluded an estimate of the compensation expense that would have been related to certain executives whose employment was not retained by Sealed Air. This expense is included in marketing, administrative and development expense on the condensed combined statements of operations. The assumptions reflected a closing date average price of $16.18, over the remaining weighted-average vesting period of 1.92 years. Since these SARs are settled in cash, the amount of the related future expense will fluctuate based on the forfeiture activity and the changes in the assumptions used in the Black-Scholes valuation model which include: Sealed Air's stock price; forfeiture rates; risk-free interest rates; expected volatility and a dividend yield. In addition, once vested, the related expense will continue to fluctuate due to the changes in the assumptions used in the Black-Scholes valuation model for any SARs that are not exercised until their respective expiration dates, the last of which is currently in March 2021.

Fair Value Estimate of Assets Acquired and Liabilities Assumed

At the effective date of the acquisition, the assets acquired and liabilities assumed are required to be measured at fair value. The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the acquisition date.

Net assets acquired (liabilities assumed):	
Cash and cash equivalents	$ 109.3
Restricted cash	6.3
Receivables, net	583.8
Receivables — related parties	8.8
Inventories(a)	308.1
Current deferred tax assets(b)	102.8
Other current assets	165.2
Property and equipment, net(c)	423.3
Intangibles assets(d)	1,569.9
Non-current deferred tax assets(b)	78.6
Other assets, net	184.9
Short-term borrowings(e)	(55.1)
Accounts payable	(310.0)
Accounts payable — related parties	(27.8)
Other current liabilities	(457.2)
Long-term debt, less current portion(e)	(1,648.8)
Non-current deferred tax liabilities(b)	(630.8)
Other liabilities	(372.8)
Total net assets acquired	$ 38.5
Goodwill	2,626.1
Total consideration	$ 2,664.6

Our fair value estimate of assets acquired and liabilities assumed is pending completion of several elements, including the finalization of an independent appraisal and valuations of fair value of the assets acquired and liabilities assumed and final review by our management. The primary areas that are not yet finalized relate to the fair value of receivables, net and payables, certain tangible assets acquired and liabilities assumed, the valuation of property and equipment, the valuation of intangible assets acquired, the valuation of the SARs, environmental and legal reserves, favorable or unfavorable contracts, leases or commitments and income and non-income based taxes. Accordingly, there could be material adjustments to depreciation and amortization expense related to the valuation of property and equipment and intangible assets acquired and their respective useful lives among other adjustments. The final determination of the assets acquired and liabilities assumed will be based on the established fair value of the assets acquired and the liabilities assumed as of the acquisition date. The excess of the purchase price over the fair value of net assets acquired is allocated to goodwill. The final determination of the purchase price, fair values and resulting goodwill may differ significantly from what is reflected in these unaudited pro forma condensed combined financial statements.

The following information provides further details about the estimated net step-up in fair value and/or the estimated fair value at the acquisition date for some key balance sheet items.

(a) Inventories

Estimated net step-up in fair value	$11.6
Increase due to change from LIFO to FIFO	5.5
Total pro forma adjustment	$17.1

As of the effective date of the acquisition, inventory is required to be measured at fair value. Raw materials are valued at current replacement costs which approximate their carrying value. Work-in-process inventory was considered immaterial and fair value approximated carrying values. The preliminary fair values for finished goods inventory were determined based on estimated selling prices less the sum of (a) costs of disposal and (b) a reasonable profit allowance for the selling effort of Sealed Air. The method used was the comparative sales method, which is based upon the expected selling price of a manufacturer's finished goods inventory to customers.

(b) Deferred taxes

In connection with the acquisition of Diversey, we acquired the stock of Diversey and therefore inherited the historical tax bases of its assets and liabilities, as well as its other tax attributes. As a result, we established deferred tax assets and liabilities with respect to the net step-up to fair value of assets and liabilities other than goodwill. Other adjustments related to tax uncertainties, valuation allowances and other matters are not included in these pro forma financials statements, but once these adjustments are identified, we will revise the deferred tax assets and liabilities as necessary. Also, any adjustments to our estimate of assets acquired and liabilities assumed may result in a change to our deferred tax assets and liabilities.

(c) Property and equipment, net

	Estimated Net Step-up in Fair Value	Estimated Average Useful Lives (Years)
Land	$ 53.2	—
Buildings and building improvements	4.1	15.0
Machinery and equipment	21.5	10.0
Fixed assets — other	12.4	2.0 – 4.0
Total	$ 91.2	

We also reclassified $74.4 million related to certain Diversey customer equipment from property and equipment, net, to other assets to conform to Sealed Air policy as discussed in Note 3, "Accounting Policies." As a result the total pro forma adjustment to property and equipment, net was $16.8 million.

As of the effective date of the acquisition, property and equipment is required to be measured at fair value, unless those assets are classified as held-for-sale on the acquisition date. The fair value can be estimated using a market approach (such as the sales comparison approach), an income approach (such as the income capitalization method) or a cost approach (such as replacement cost new method). As part of the appraisal process for real estate (land, buildings and building improvements), a reconciliation of all value indications was performed which resulted in the cost approach being the primary valuation methodology selected. For personal property (machinery and equipment and fixed assets – other) the cost approach was also the primary approach selected and the market and income approaches were also used, as applicable. For purposes of these unaudited pro forma condensed combined financial statements a fair value adjustment to property and equipment has been made by obtaining an understanding of the nature, amount and type of Diversey property and equipment as of October 3, 2011. The estimated net step-up in fair value is preliminary and subject to change.

(d) Intangible assets

	Estimated Fair Value	Estimated Weighted Average Useful Lives (Years)
Customer relationships	$1,019.2	13.0
Trademarks and tradenames	317.3	indefinite
Technology (1)	187.8	5/indefinite
Contracts	45.6	5.5
Total	$1,569.9	

(1) Includes software, in-process research and development, patents and trade secrets.

For purposes of these unaudited pro forma condensed combined financial statements, it is assumed that all intangible assets will be used and that all assets will be used in a manner that represents the highest and best use of those assets, but it is not assumed that any revenue enhancements or synergies will be achieved. The consideration of revenue enhancements and synergies has been excluded because they are not considered to be factually supportable, which is a required condition for these pro forma adjustments.

The preliminary fair value of intangible assets was determined primarily using the "income method," which utilizes financial forecasts of all expected future net cash flows. Some of the more significant assumptions used in the development of intangible asset values, include: the amount and timing of projected future cash flows (including net sales, cost of sales, marketing, administrative and development expenses and working capital); the discount rate selected to measure the risks inherent in the future cash flows; and the assessment of the asset's life cycle and the competitive trends impacting the asset, as well as other factors. The fair values of the intangible assets included above are preliminary and subject to change.

Diversey's historical intangibles, net, including capitalized software, balance of $242.1 million as of September 30, 2011 was eliminated. As a result, the total pro forma adjustment to intangibles, net was $1,327.8 million.

(e) See footnotes (O) and (R) of Note 6, "Pro Forma Adjustments," for details of the fair value of Diversey's debt.

6. Pro Forma Adjustments

Statements of Operations Adjustments

The unaudited pro forma condensed combined statements of operations include preliminary pro forma adjustments that are expected to have a continuing impact on the combined company's consolidated financial results. Below are the pro forma adjustments on a pre-tax basis. We have also presented the estimated diluted net earnings per common share impact of the pro forma adjustments that will have a continuing impact on the consolidated statements of operations. The diluted net earnings per common share impact is based on the post-tax impact of the pro forma adjustment divided by the pro forma diluted weighted average number of common shares of 209.2 million for the nine months ended September 30, 2011 and 208.4 million for the year ended December 31, 2010.

The most significant areas of the condensed combined statements of operations that are not yet finalized include the depreciation and amortization expense associated with the valuation of property and equipment and their remaining useful lives, the valuation of intangible assets acquired and their remaining useful lives, the compensation expense related to the SARs and income and non-income based taxes. Accordingly, there may be material adjustments to depreciation and amortization expense on the combined statement of operations for the related property and equipment and intangible assets. Depreciation and amortization expense and compensation expense are included in both cost of sales and marketing, administrative and development expense on our consolidated statements of operations. On a pro forma combined company basis, total depreciation and amortization expense was $245.7 million (including $107.8 million of amortization expense of intangible assets) in the nine months ended September 30, 2011 and was $339.0 million (including $144.9 million of amortization expense on intangible assets) in the year ended December 31, 2010.

We have made no pro forma adjustment to the statements of operations for the net step-up in the fair value of inventories as the impact would be one-time in nature and not have a continuing impact on the combined statements of operations.

(A) To reflect the following adjustments to cost of sales:

	Nine Months Ended September 30, 2011		Year Ended December 31, 2010	
	Pre-tax Adjustment	Diluted Net Earnings per Common Share Impact	Pre-tax Adjustment	Diluted Net Earnings per Common Share Impact
Additional depreciation expense on the net step-up in fair value of property and equipment	$ 1.6	$ (0.01)[1]	$ 2.2	$ (0.01)[1]
Reclassify Diversey's technical customer service expense from cost of sales to marketing, administrative and development expense to conform to Sealed Air's policy	(105.5)	N/A	(122.3)	N/A
Total pro forma adjustment	**$ (103.9)**		**$ (120.1)**	

(1) Diluted net earnings per common share impact is net of taxes of $0.1 million for the nine months ended September 30, 2011 and $0.1 million for the year ended December 31, 2010.

(B) To reflect the following adjustments to marketing, administrative and development expenses:

	Nine Months Ended September 30, 2011		Year Ended December 31, 2010	
	Pre-tax Adjustment	Diluted Net Earnings per Common Share Impact	Pre-tax Adjustment	Diluted Net Earnings per Common Share Impact
New amortization expense based on the fair value of intangible assets acquired	$ 100.3	$ (0.41)[1]	$ 133.7	$ (0.55)[1]
Incremental compensation expense related to SARs [2]	10.5	(0.05)[3]	16.5	(0.07)[3]
Additional depreciation expense on the net step-up in fair value of property and equipment	2.8	(0.01)[4]	3.7	(0.02)[4]
Eliminate Diversey's historical amortization expense on intangible assets	(26.7)	N/A	(36.1)	N/A
Eliminate Diversey's historical charges related to a prior consulting agreement with CD&R (4)	(4.0)	N/A	(5.3)	N/A
Reclassify Diversey's technical customer service expense from cost of sales to marketing, administrative and development expense to conform to Sealed Air's policy	105.5	N/A	122.3	N/A
Total pro forma adjustment	**$ 188.4**		**$ 234.8**	

(1) Diluted net earnings per common share impact is net of taxes of $14.3 million for the nine months ended September 30, 2011 and $19.1 million for the year ended December 31, 2010.
(2) See Note 4, “Consideration Transferred and Estimate of Assets Acquired and Liabilities Assumed” for further details on how these amounts were calculated.
(3) Diluted net earnings per common share impact is net of taxes of $0.6 million for the nine months ended September 30, 2011 and $1.1 million for the year ended December 31, 2010.
(4) In connection with the acquisition, the private equity firm Clayton, Dubilier & Rice (“CD&R”) canceled its consulting agreement to provide certain management, consulting, advisory, monitoring and financial services to Diversey. The amounts above represent the costs related to services provided from this agreement. Since this agreement has been canceled upon the closing of the acquisition, the related costs have been eliminated from the pro forma combined statements of operations for all periods presented as the cancellation was directly related to the acquisition and will not have a continuing impact on the combined company’s statements of operations.

(C) Eliminate expenses incurred as of September 30, 2011 in connection with the acquisition that will not have a continuing impact on the statement of operations. These expenses include transaction and integration costs directly related to the acquisition of Diversey and primarily consist of financing commitment, legal, regulatory, appraisal fees and consulting fees.

(D) To reflect the following adjustments to interest expense:

	Nine Months Ended September 30, 2011		Year Ended December 31, 2010	
	Pre-tax Impact	Diluted Net Earnings per Common Share Impact	Pre-tax Impact	Diluted Net Earnings per Common Share Impact
Interest expense on new financing as described above:				
Senior secured credit facilities[1]:				
Term A Facility	$ (23.2)		$ (30.7)	
Term B Facility	(45.9)		(61.2)	
Notes	(92.8)		(123.8)	
Sub total	(161.9)		(215.7)	
Amortization of capitalized debt issuance costs and original issuance discount on new financing[2]	(15.9)		(21.1)	
Total interest expense on new financing	$(177.8)	(0.84)[3]	$(236.8)	$ (1.12)[3]
Elimination of interest expense on Diversey’s debt retired including accrued interest, amortization of debt issuance costs and original issuance discount:				
Diversey Credit Facility	$ 37.6		72.9	
Diversey Inc. 8.25% Senior Notes due 2019	25.7		34.1	
Diversey Holdings, Inc. 10.5% Senior Notes due 2020	25.5		29.2	
Japanese Working Capital Agreement	0.8		1.1	
Sub total	89.6		137.3	
Total pro forma adjustments	**$ (88.2)**	N/A	**$ (99.5)**	N/A

(1) The interest expense included above reflects an interest rate of 3% for Term Loan A Facility borrowings and 5% for Term Loan B Facility borrowings. A hypothetical 1/8% increase or decrease in the interest rates on the senior secured credit facilities would result in a $2.7 million increase or a $1.4 million decrease in annual interest expense.

(2) Reflects the amortization of original issuance discounts of $14.8 million on the Term B Facility in the nine months ended September 30, 2011 and $19.5 million in the year ended December 31, 2010. Also includes $1.1 million in the nine months ended September 30, 2011 and $1.6 million in the year ended December 31, 2010 of amortization of capitalized debt issuance costs for the senior secured credit facilities and the Notes. This amortization was calculated using the effective interest rate method.

(3) Diluted net earnings per common share impact is net of taxes of $3.0 million for the nine months ended September 30, 2011 and $3.9 million for the year ended December 31, 2010.

(E) To reflect the elimination of foreign currency exchange gains resulting from foreign currency forward contracts we entered into in connection with the closing of the acquisition.

(F) To reflect the estimated income tax effect on the pro forma adjustments for the nine months ended September 30, 2011 and for the year ended December 31, 2010:

	Nine Months Ended September 30, 2011	Year Ended December 31, 2010
Estimated blended effective income tax rate	44.3%	48.3%

This adjustment reflects an estimate of the tax impacts of the acquisition on the pro forma condensed combined statements of operations, primarily related to the additional interest expense associated with the incremental debt to finance the acquisition and the estimated incremental depreciation and amortization expense from the net step-up in fair value in property and equipment and intangible and other assets. We did not take into account any possible changes in valuation allowance assumptions as a result of the acquisition or other possible reorganization transactions. For example, because the combined company on a pro forma basis would have had pre-tax losses in the U.S. in both the nine months ended September 30, 2011 and the year ended December 31, 2010, we assumed a full valuation allowance for these periods and did not reflect any tax benefit in connection with those losses, consistent with the historical approach used by Diversey in its consolidated financial statements.

Although not reflected in these unaudited pro forma condensed combined financial statements, the effective tax rate of the combined company could be significantly different (either higher or lower) depending on post-acquisition activities, including repatriation decisions, cash needs and the geographical mix of income.

(G) To reflect the issuance of 31.7 million shares that were issued to former Diversey stockholders as part of the consideration for the acquisition.

Balance Sheet Adjustments

(H) To reflect the following adjustments to cash and cash equivalents:

Net cash received from the borrowings under the senior secured credit facilities and the issuance of the notes, net of $126.6 of financing related fees(1)	$ 3,654.3
Cash consideration for the acquisition	(2,098.7)
Retirement of Diversey's debt at fair value (see footnotes O and R below)	(1,685.7)
Advisory and professional fees directly related to the acquisition paid at closing	(51.3)
Total pro forma adjustment	**$ (181.4)**

(1) Reflects fees, expenses and discounts associated with the financing of the Transactions. Included in this amount are $6.6 million of capitalized debt issuance costs related to non-lender fees recorded in other assets, net (see footnote D below) and $120.0 million related to lender fees and original issuance discounts (see footnote O below).

(I) To reflect adjustments to inventories, net, discussed in Note 4, "Consideration Transferred and Fair Value Estimate of Assets Acquired and Liabilities Assumed."

(J) To reflect adjustments to deferred taxes discussed in Note 4, "Consideration Transferred and Fair Value Estimate of Assets Acquired and Liabilities Assumed."

(K) To reflect the elimination of capitalized debt issuance costs on Diversey's debt retired at closing.

(L) To reflect adjustments to property and equipment discussed in Note 4, "Consideration Transferred and Fair Value Estimate of Assets Acquired and Liabilities Assumed."

(M) To reflect the following adjustments to goodwill:

Excess of the purchase price over the fair value of net assets acquired from Diversey	$ 2,626.1
Elimination of Diversey's historical goodwill balance	(1,263.0)
Total pro forma adjustment	**$ 1,363.1**

(N) To reflect adjustments to intangibles, net, discussed in Note 4, "Consideration Transferred and Fair Value Estimate of Assets Acquired and Liabilities Assumed."

(O) To reflect the following adjustments to other assets.

Reclassification of certain Diversey equipment leased to customers to other assets from property and equipment (See Note 3, "Accounting Policies," for further details)	$ 74.4
Capitalized debt issuance costs related to non-lender fees on the borrowings under our senior secured credit facilities and the issuance of the Notes	6.6
Other adjustments related to the estimate of fair value of other assets	0.9
Elimination of capitalized debt issuance costs on Diversey's debt retired at closing	(43.5)
To reflect the funded status of Diversey's defined benefit pension plans	(7.5)
Total pro forma adjustment	**$ 30.9**

(P) To reflect the retirement of the short-term portion of Diversey's Credit Facility at fair value.

(Q) To reflect the retirement of the current portion of Diversey's long-term debt at fair value.

(R) To reflect the following adjustments to other current liabilities:

To reflect the liability for share-based compensation to be paid out in connection with the acquisition	$ 35.3
Other adjustments related to the estimate of fair value of other current liabilities	3.0
To reflect the elimination of accrued interest on Diversey's long-term debt retired at fair value	(24.1)
Total pro forma adjustment	**$ 14.2**

(S) To reflect the following adjustments to long-term debt:

Gross proceeds from U.S. dollar equivalent of new financing (1):	
Senior secured credit facilities	
Term A Facility due 2016	$ 1,095.6
Term B Facility due 2018	1,185.3
Notes	1,500.0
	$ 3,780.9
Total discounts and lender costs on new financing (2)	(120.0)
Net proceeds from long-term debt	$ 3,660.9
Adjustment to reflect Diversey's debt at fair value retired at closing	$ 205.2
Retirement of Diversey's debt at fair value:	
Diversey Credit Facility	$ (809.7)
Diversey Inc. 8.25% Senior Notes due 2019 at fair value	(490.2)
Diversey Holdings, Inc. 10.5% Senior Notes due 2020 at fair value	(348.9)
	(1,648.8)
Total pro forma adjustment	**$ 2,217.3**

(1) Included in our senior secured credit facilities is a $700.0 million equivalent Revolving Credit Facility. The senior secured credit facilities replaced our global credit facility and our European Credit Facility. We did not utilize our Revolving Credit Facility to fund the cash consideration for the acquisition.

(2) Includes original issuance discounts of $27.7 million and lender costs of $92.3 million, including fees related to our Revolving Credit Facility.

(T) To reflect the following adjustments to other liabilities:

To reflect the liability for the portion of the SARs included as part of the consideration for the acquisition	$ 53.0
To reflect the funded status of Diversey's defined benefit plans	40.9
To reflect the fair value of deferred revenue	(4.8)
Other adjustments related to the estimate of fair value of other liabilities	(4.6)
Total pro forma adjustment	**$(84.5)**

(U) To reflect the following adjustments to total stockholders' equity and Diversey contingently redeemable shares and equity awards:

Value of 31.7 million shares of Sealed Air common stock at closing issued to former Diversey stockholders	$ 512.9
Elimination of Diversey's historical stockholders' equity and contingently redeemable shares and equity awards	(543.4)
Sealed Air advisory and professional fees directly related to the acquisition	(27.9)
Total pro forma adjustment	**$ (58.4)**

(c) Exhibits

Exhibit No.	Description
23.1	Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm of Diversey.
99.1	Audited historical consolidated financial statements of Diversey as of December 31, 2010 and 2009 and for each of the years in the three-year period ended December 31, 2010 and the related notes.
99.2	Unaudited historical condensed consolidated financial statements of Diversey as of and for the nine months ended September 30, 2011 and 2010 and the related notes.
99.3	Press release dated December 19, 2011 presenting supplemental information in connection with this Form 8-K/A
99.4	Diversey Business
99.5	Diversey Management's Discussion and Analysis of Financial Condition and Results of Operations.
99.6	Unaudited historical condensed consolidated financial statements of Diversey as of and for the six months ended July 1, 2011 and 2010 and the related notes.

SIGNATURE

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

SEALED AIR CORPORATION

By:	/s/ Jeffrey S. Warren
Name:	Jeffrey S. Warren
Title:	Controller *(Duly Authorized Executive Officer and Chief Accounting Officer)*

Dated: December 19, 2011

EXHIBIT INDEX

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Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference of our report dated March 17, 2011, with respect to the consolidated financial statements and schedule of Diversey Holdings, Inc. for the year ended December 31, 2010, in the Registration Statements (No. 333-152909, No. 333-89090 and No. 333-126890) on Form S-8 and in the Registration Statements (No. 333-177130 and No. 333-157851) on Form S-3ASR of Sealed Air Corporation, included in this Form 8-K/A.

/s/ Ernst & Young LLP

Chicago Illinois
December 19, 2011

EXHIBIT 99.1

DIVERSEY HOLDINGS, INC.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Fiscal Years Ended December 31, 2010, December 31, 2009 and December 31, 2008

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of Diversey Holdings, Inc.

We have audited the accompanying consolidated balance sheets of Diversey Holdings, Inc. and subsidiaries as of December 31, 2010 and 2009, and the related consolidated statements of operations, contingently redeemable stock and shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2010. Our audits also included the financial statement schedules listed in the Index at Item 15(c). These financial statements and schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedules based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Diversey Holdings, Inc. and subsidiaries at December 31, 2010 and 2009, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2010, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedules, when considered in relation to the basic financial statements taken as a whole, present fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Diversey Holdings, Inc.'s internal control over financial reporting as of December 31, 2010, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 17, 2011 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Chicago, Illinois
March 17, 2011

DIVERSEY HOLDINGS, INC.

CONSOLIDATED BALANCE SHEETS
(dollars in thousands, except share data)

	December 31, 2010	December 31, 2009
ASSETS		
Current assets:		
Cash and cash equivalents	$ 169,094	$ 249,713
Restricted cash	20,407	39,654
Accounts receivable, less allowance of $19,888 and $20,645, respectively	563,006	556,720
Accounts receivable – related parties	6,433	21,943
Inventories	263,247	255,989
Deferred income taxes	24,532	30,288
Other current assets	163,307	171,232
Current assets of discontinued operations	—	60
Total current assets	1,210,026	1,325,599
Property, plant and equipment, net	410,507	415,645
Capitalized software, net	52,980	53,298
Goodwill	1,263,431	1,271,032
Other intangibles, net	194,175	220,769
Other assets	152,894	158,045
Non current assets of discontinued operations	—	3,919
Total assets	$ 3,284,013	$ 3,448,307
LIABILITIES, CLASS B SHARES AND EQUITY AWARDS SUBJECT TO CONTINGENT REDEMPTION FEATURES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Short-term borrowings	$ 24,205	$ 27,661
Current portion of long-term debt	9,498	9,811
Accounts payable	327,831	380,378
Accounts payable – related parties	23,794	35,900
Accrued expenses	463,319	472,735
Current liabilities of discontinued operations	—	6,174
Total current liabilities	848,647	932,659
Pension and other post-retirement benefits	226,682	248,414
Long-term borrowings	1,445,678	1,593,697
Deferred income taxes	114,358	101,312
Other liabilities	125,893	144,392
Non current liabilities of discontinued operations	—	4,522
Total liabilities	2,761,258	3,024,996
Commitments and contingencies		
Class B shares and equity awards subject to contingent redemption features at December 31, 2010 and December 31, 2009– $0.01 par value; 20,000,000 shares authorized; 1,490,971 shares issued and outstanding at December 31, 2010 and 0 shares issued and outstanding as of December 31, 2009	35,871	—
Stockholders' equity:		
Class A common stock at December 31, 2010 and December 31, 2009 – $0.01 par value; 200,000,000 shares authorized; 99,764,706 shares issued and outstanding at December 31, 2010 and December 31, 2009	998	998
Capital in excess of par value	554,244	549,512
Accumulated deficit	(309,785)	(342,515)
Accumulated other comprehensive income	241,427	215,316
Total stockholders' equity	486,884	423,311
Total liabilities, class B shares and equity awards subject to contingent redemption and stockholders' equity	$ 3,284,013	$ 3,448,307

The accompanying notes are an integral part of the consolidated financial statements.

DIVERSEY HOLDINGS, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS
(dollars in thousands)

	Fiscal Year Ended December 31, 2010	Fiscal Year Ended December 31, 2009	Fiscal Year Ended December 31, 2008
Net sales:			
Net product and service sales	$ 3,101,277	$ 3,083,711	$ 3,280,857
Sales agency fee income	26,400	27,170	35,020
	3,127,677	3,110,881	3,315,877
Cost of sales	1,800,419	1,828,933	1,990,082
Gross profit	1,327,258	1,281,948	1,325,795
Selling, general and administrative expenses	1,005,945	988,131	1,068,851
Research and development expenses	65,655	63,328	67,077
Restructuring expenses (credits)	(2,277)	32,914	57,291
Operating profit	257,935	197,575	132,576
Other (income) expense:			
Interest expense	148,576	142,523	153,224
Interest income	(2,397)	(4,555)	(7,680)
Notes redemption and other costs	—	48,789	—
Other (income) expense, net	2,732	(4,699)	5,671
Income (loss) from continuing operations before income taxes	109,024	15,517	(18,639)
Income tax provision	65,933	62,169	51,298
Income (loss) from continuing operations	43,091	(46,652)	(69,937)
Income (loss) from discontinued operations, net of income taxes of $0, ($260) and $11,273	(10,361)	(1,973)	10,416
Net income (loss)	$ 32,730	$ (48,625)	$ (59,521)

The accompanying notes are an integral part of the consolidated financial statements.

DIVERSEY HOLDINGS, INC.

CONSOLIDATED STATEMENTS OF CONTINGENTLY REDEEMABLE STOCK AND STOCKHOLDERS' EQUITY
(dollars in thousands)

	Class B common stock subject to put and call options		Class B shares and equity awards subject to contingent redemption		Comprehensive Income/(Loss)	Class A common stock		Capital in excess of par value	Accumulated deficit	Accumulated other comprehensive income	Total stockholders' equity/(deficit)
	Shares	Amount	Shares	Amount		Shares	Amount				
Balance, December 29, 2007	1,960	$ 531,127	—	$ —		3,920	$ —	$ 10,692	$ (231,961)	$ 298,949	$ 77,680
Comprehensive loss–											
Net loss	—	—	—	—	$ (59,521)	—	—	—	(59,521)	—	(59,521)
Foreign currency translation adjustments, net of tax	—	—	—	—	(107,062)	—	—	—	—	(107,062)	(107,062)
Unrealized losses on derivatives, net of tax	—	—	—	—	(2,554)	—	—	—	—	(2,554)	(2,554)
Adjustment to reflect funded status of pension plans, net of tax	—	—	—	—	(75,172)	—	—	—	—	(75,172)	(75,172)
Total comprehensive income					$ (244,309)						—
Capital contributions								400	—	—	400
Dividends declared	—	—	—	—		—	—	—	(82)	—	(82)
Fair value adjustment		(74,252)						74,252			74,252
Adjustment for ASC Topic 715—remeasurement date	—	—	—	—		—	—	—	(2,242)	(1,944)	(4,186)
Balance, December 28, 2008	1,960	$ 456,875	—	$ —		3,920	$ —	$ 85,344	$ (293,806)	$ 112,217	$ (96,245)
Comprehensive loss–											
Net loss	—	—	—	—	$ (48,625)	—	—	—	(48,625)	—	(48,625)
Foreign currency translation adjustments, net of tax	—	—	—	—	69,860	—	—	—	—	69,860	69,860
Unrealized gains on derivatives, net of tax	—	—	—	—	3,268	—	—	—	—	3,268	3,268
Adjustment to reflect funded status of pension plans, net of tax	—	—	—	—	29,971	—	—	—	—	29,971	29,971
Total comprehensive income					$ 54,474						—
Capital contributions								215	—	—	215
Reclassification of class A common stock						(3,920)	—				
Proceeds from the issuance of new class A common stock	—	—	—	—		99,764,706	998	485,902	—	—	486,900
Warrants for new class A common stock	—	—	—	—		—	—	39,600	—	—	39,600
Fair value adjustment		28,674	—	—		—	—	(28,674)	—	—	(28,674)
Redemption (see Note 26)	(1,960)	(485,549)				—	—	—	—	—	—
Payment of costs for equity redemption and issuance	—	—	—	—		—	—	(32,875)	—	—	(32,875)
Dividends declared	—	—	—	—		—	—	—	(84)	—	(84)
Balance, December 31, 2009	—	$ —	—	$ —		99,764,706	$ 998	$ 549,512	$ (342,515)	$ 215,316	$ 423,311
Comprehensive income(loss) -											
Net Income(loss)	—	—	—	—	$ 32,730	—	—	—	32,730	—	32,730
Foreign currency translation adjustments, net of tax	—	—	—	—	13,644	—	—	—	—	13,644	13,644
Unrealized losses on derivatives, net of tax	—	—	—	—	(215)	—	—	—	—	(215)	(215)
Adjustment to reflect funded status of pension plans, net of tax	—	—	—	—	12,682	—	—	—	—	12,682	12,682
Total comprehensive income					$ 58,841						—
Equity offering (see Note 22)	—	—	1,565,971	15,724		—	—	—	—	—	—
Repurchase of equity (see Note 22)			(75,000)	(750)		—	—	(193)	—	—	(193)
LTIP conversion into DSU during the year (see Note 22)				14,479		—	—	—	—	—	—
Stock-based compensation expense recognition (see Note 22)				6,418		—	—	5,886	—	—	5,886
Payment for equity redemption	—	—	—	—		—	—	—	—	—	—
Payment of costs for equity redemption and issuance	—	—	—	—		—	—	(961)	—	—	(961)
Balance, December 31, 2010	—	$ —	1,490,971	$ 35,871		99,764,706	$ 998	$ 554,244	$ (309,785)	$ 241,427	$ 486,884

The accompanying notes are an integral part of the consolidated financial statements.

DIVERSEY HOLDINGS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(dollars in thousands)

	Fiscal Year Ended December 31, 2010	Fiscal Year Ended December 31, 2009	Fiscal Year Ended December 31, 2008
Cash flows from operating activities:			
Net income (loss)	$ 32,730	$ (48,625)	$ (59,521)
Adjustments to reconcile net income (loss) to net cash (used in) provided by operating activities–			
Depreciation and amortization	98,763	93,030	104,277
Amortization of intangibles	18,065	19,067	23,959
Amortization of debt issuance costs	19,240	16,832	5,211
Accretion of original issue discount	4,774	356	—
Interest accreted on notes payable	12,469	66	4,244
Interest accrued on long-term receivables- related parties	—	(2,551)	(2,749)
Deferred income taxes	16,814	2,765	(21,620)
(Gain) loss on disposal of discontinued operations	842	(176)	(10,471)
(Gain) loss from divestitures	3	208	(1,282)
Loss on property, plant and equipment disposals	153	726	736
Stock-based compensation	12,302	—	—
Impairment of investment	5,900	—	—
Other	5,363	6,367	6,430
Changes in operating assets and liabilities, net of effects from acquisitions and divestitures of businesses–			
Restricted cash	—	(27,404)	(49,463)
Accounts receivable securitization	(17,524)	(24,997)	(10,200)
Accounts receivable	21,422	33,048	21,948
Inventories	(11,317)	13,952	(2,430)
Other current assets	4,529	(26,248)	(13,364)
Accounts payable and accrued expenses	(49,970)	58,353	(13,199)
Other assets	(15,981)	(29,714)	13,689
Long-term, acquisition-related receivables from Unilever	—	86,079	—
Other liabilities	(19,544)	3,281	8,600
Long-term, acquisition-related payables from Unilever	—	(30,630)	—
Net cash provided by operating activities	139,033	143,785	4,795
Cash flows from investing activities:			
Capital expenditures	(76,838)	(68,689)	(98,015)
Expenditures for capitalized computer software	(17,824)	(25,605)	(23,196)
Proceeds from property, plant and equipment disposals	3,506	8,216	3,048
Acquisitions of businesses and other intangibles	(3,914)	(1,737)	(7,584)
Dividends from unconsolidated affiliates	1,046	—	—
Proceeds from (costs of) divestiture of businesses	(161)	(1,348)	127,564
Net cash provided by (used in) investing activities	(94,185)	(89,163)	1,817
Cash flows from financing activities:			
Proceeds from (repayments of) short-term borrowings, net	(5,200)	(1,804)	10,985
Proceeds from long-term borrowings	—	1,603,396	1,050
Repayments of long-term borrowings	(133,840)	(1,444,361)	(13,820)
Repayment of related party long-term note	—	(1,050)	—
Payment of costs for equity redemption and issuance	(961)	(32,875)	—
Proceeds from the issuance of new class A common stock	—	486,900	—
Proceeds related to new stock-based long-term incentive plan	9,468	—	—
Redemption of class B common stock	—	(445,948)	—
Repurchase of equity	(943)		
Payment of debt issuance costs	(4,949)	(82,377)	(123)
Dividends paid	(78)	(370)	—
Net cash (provided by) used in financing activities	(136,503)	81,511	(1,908)
Effect of exchange rate changes on cash and cash equivalents	11,036	5,657	6,043
Change in cash and cash equivalents	(80,619)	141,790	10,747
Beginning balance	249,713	107,923	97,176
Ending balance	$ 169,094	$ 249,713	$ 107,923
Supplemental cash flows information			
Cash paid during the period:			
Interest, net	$ 114,205	$ 132,132	$ 136,264
Income taxes	38,358	35,019	39,568

The accompanying notes are an integral part of the consolidated financial statements.

(1) Description of the Company

The accompanying consolidated financial statements include all of the operations, assets and liabilities of Diversey Holdings, Inc., formerly known as Johnson Professional Holdings, Inc., ("Holdings" or the "Company"). The Company owns all the shares of Diversey, Inc. ("Diversey") (formerly S.C. Johnson Commercial Markets, Inc. and JohnsonDiversey, Inc). The Company is a holding company and its sole business interest is the ownership and control of Diversey and its subsidiaries. Diversey is a leading global marketer and manufacturer of cleaning, hygiene, operational efficiency, appearance enhancing products and equipment and related services for the institutional and industrial cleaning and sanitation market.

Prior to November 5, 1999, Diversey was a wholly owned subsidiary of S.C. Johnson & Son, Inc. ("SCJ"). On November 5, 1999, ownership of Diversey including all of its assets and liabilities, was spun-off in a tax-free reorganization. In connection with the spin-off, Commercial Markets Holdco LLC ("CMH") obtained substantially all of the shares of Diversey from SCJ.

On November 19, 2001, the Company was formed and named Johnson Professional Holdings, Inc., at which time CMH contributed its shares in Diversey to the Company. At the time of such contribution, the Company was a wholly owned subsidiary of CMH.

On May 3, 2002, the Company, Diversey, acquired the DiverseyLever business from Conopco, Inc., a subsidiary of Unilever N.V. and Unilever PLC (together, "Unilever"). At the closing of the acquisition, S.C. Johnson Commercial Markets, Inc. changed its name to JohnsonDiversey, Inc., and Johnson Professional Holdings, Inc. changed its name to JohnsonDiversey Holdings, Inc. In connection with the acquisition, Unilever acquired a 33 1/3% interest in the Company, with the remaining 66 2/3% continuing to be held by CMH.

On November 24, 2009, pursuant to a series of agreements signed on October 7, 2009, the Company issued new shares of common stock to a private investment fund managed by Clayton, Dubilier & Rice, Inc. ("CD&R"), and to SNW Co., Inc. ("SNW"), a wholly owned subsidiary of SCJ, and redeemed all the equity interests of Unilever in the Company through the payment of cash and the issuance of a warrant to purchase shares of stock in the Company ("Warrant"). At the closing of these transactions, the equity ownership of the Company, assuming the exercise of the Warrant, was as follows: CMH, 49.1%, CD&R, 45.9%, SNW, 1%, and Unilever, 4% (See Note 26). In connection with these transactions, SNW granted an irrevocable proxy to CMH to vote its common stock of the Company, which, subject to certain limitations, increased CMH's voting ownership in the Company from approximately 49.1% to approximately 50.1% and decreased SNW's voting ownership the Company from approximately 1.0% to 0.0%.

On March 1, 2010, the Company changed its name from "JohnsonDiversey Holdings, Inc." to "Diversey Holdings, Inc." and our subsidiary, JohnsonDiversey, Inc., changed its name to "Diversey, Inc."

(2) Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and all of its majority owned and controlled subsidiaries and are prepared in conformity with accounting principles generally accepted in the United States ("U.S. GAAP"). All significant intercompany accounts and transactions have been eliminated.

Except where noted, the consolidated financial statements and related notes, excluding the consolidated statements of cash flows, reflect the results of continuing operations, which exclude the divestiture of DuBois Chemicals ("DuBois") (see Note 6).

Year-End

Beginning with fiscal year 2008, the Company changed its fiscal year-end date from the Friday nearest December 31 to December 31.

Operations included the calendar years ended December 31, 2010 and December 31, 2009 and 52 weeks and five days in the fiscal year ended December 31, 2008.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

The Company uses estimates and assumptions in accounting for the following significant matters, among others:

- Allowances for doubtful accounts
- Inventory valuation
- Valuation of acquired assets and liabilities
- Useful lives of property and equipment and intangible assets
- Goodwill and other long-lived asset impairment
- Contingencies
- Accounting for income taxes
- Stock-based compensation
- Customer rebates and discounts
- Environmental remediation costs
- Pensions and other post-retirement benefits

Actual results may differ from previously estimated amounts, and such differences may be material to the consolidated financial statements. The Company periodically reviews estimates and assumptions, and the effects of revisions are reflected in the period in which the revision is made. No significant revisions to estimates or assumptions were made during the periods presented in the accompanying consolidated financial statements.

Unless otherwise indicated, all monetary amounts are stated in thousand dollars.

Segment Reporting

The Financial Standards Accounting Board (“FASB”) Accounting Standards Codification™ (“ASC”) Topic 280, *Segment Reporting*, defines operating segments as components of an enterprise for which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance.

In June 2008, the Company announced plans to reorganize its operating segments to better address consolidation and globalization trends among its customers and to enable the Company to more effectively deploy resources. Effective January 2010, the Company completed its reorganization from a five region model to the new three region model, having implemented the following:

- Three regional presidents were appointed to lead the three regions;
- The three regional presidents report to the Company’s Chief Executive Officer (“CEO”), who is its chief operating decision maker;
- Financial information is prepared separately and regularly for each of the three regions; and
- The CEO regularly reviews the results of operations, manages the allocation of resources and assesses the performance of each of these regions.

Prior to the reorganization, the Company’s operations were organized in five regions: Europe/Middle East/Africa (“Europe”), North America, Latin America, Asia Pacific and Japan. The new three region model is composed of the following:

- The existing Europe region;
- A new Americas region combining the former North and Latin American regions; and
- A new Greater Asia Pacific region combining the former Asia Pacific and Japan regions.

Segment reclassification and restatement. In 2010, as a result of integrating certain of the Company's equipment business into the Americas and Europe segments, associated revenues, expenses, assets and liabilities have been reclassified from Eliminations/Other to the Americas and Europe segments. This reclassification is consistent with changes in the Company's organizational reporting and reflects the chief operating decision maker's approach to assessing performance and asset allocation.

Accordingly, Note 28 reflects segment information in conformity with the three region model as well as the equipment business reclassification, and prior period segment information has been restated for comparability and consistency.

Revenue Recognition

Revenues are recognized when all the following criteria are met: persuasive evidence of an arrangement exists; delivery has occurred or ownership has transferred to the customer; the price to the customer is fixed and determinable; and collectibility is reasonably assured. Revenues are reflected in the consolidated statements of operations net of taxes collected from customers and remitted to governmental authorities.

In arriving at net sales, the Company estimates the amounts of sales deductions likely to be earned by customers in conjunction with incentive programs such as volume rebates and other discounts. Such estimates are based on written agreements and historical trends and are reviewed periodically for possible revision based on changes in facts and circumstances.

The Company's sales agency fee income pertains to fees earned under the sales agency agreements with Unilever (see Note 3).

Customer Rebates and Discounts

Rebates and discounts granted to customers are accounted for on an accrual basis as a reduction in net sales in the period in which the related sales are recognized.

Volume rebates are generally supported by customer contracts, which typically extend from one- to five-year periods. In the case where rebate rates are not contractually fixed, the rates used in the calculation of accruals are estimated based on forecasted annual volumes.

Accrued customer rebates and discounts, which are included within accrued expenses on the consolidated balance sheets, were $126,441 and $120,536 at December 31, 2010 and December 31, 2009, respectively.

Cost of Sales

Cost of sales includes material costs, packaging costs, production costs, distribution costs, including shipping and handling costs, and other factory overhead costs. Cost of sales also includes charges for obsolete & slow moving inventory, quality control, purchasing and receiving, warehousing and internal transfer costs.

The Company records fees billed to customers for shipping and handling as revenue.

Selling, General and Administrative Expenses

Selling expenses include advertising and promotion costs, marketing and sales overhead costs. General and administrative expenses include information technology costs, legal costs, human resource costs, and other administrative and general overhead costs.

Advertising Costs

The Company expenses advertising costs as incurred. Total advertising expense was $1,655, $1,467 and $2,412 for the fiscal years ended December 31, 2010, December 31, 2009 and December 31, 2008, respectively.

Original Issue Discount and Capitalized Debt Issuance Costs

The Company amortizes the original issue discount and related capitalized debt issuance costs on its loans under the effective interest method, which is based on a schedule of anticipated cash flows over the terms of the various debt instruments. During fiscal 2010, as a result of early optional principal payments of $125,000 on a portion of the Company's indebtedness and the Company's election to pay cash interest on its Holdings Senior Notes on November 15, 2010 and May 15, 2011, the Company wrote off a portion of original issue discounts and capitalized debt issuance costs, resulting in an increase of $8,425 in interest expense in the consolidated statements of operations.

Cash and Cash Equivalents

The Company considers all highly liquid investments, with maturities of 90 days or less at the date of purchase, to be cash equivalents. The cost of cash equivalents approximates fair value due to the short-term nature of the investments.

Restricted Cash

Restricted cash represents cash transferred to separate irrevocable trusts for the settlement of certain obligations associated with the November 2005 Restructuring Program (see Note 14).

Accounts Receivable

The Company does not require collateral on sales and evaluates the collectibility of its accounts receivable based on a number of factors. For accounts substantially past due, an allowance for doubtful accounts is recorded based on a customer's ability and likelihood to pay based on management's review of the facts. In addition, the Company considers the need for allowance based on the length of time receivables are past due compared to its historical experience. The Company writes off accounts receivable when the Company determines that the accounts receivable are uncollectible, typically upon customer bankruptcy or the customer's non-response to continuous collection efforts.

Inventories

Inventories are carried at the lower of cost or market. As of December 31, 2010 and December 31, 2009, the cost of certain domestic inventories determined by the last-in, first-out ("LIFO") method was $19,111 and $21,005, respectively. This represented 7.1% and 8.1% of total inventories, respectively. For the balance of the Company's inventories, cost is determined using the first-in, first-out ("FIFO") method. If the FIFO method of accounting had been used for all inventories, they would have been $4,672 and $3,289 higher than reported at December 31, 2010 and December 31, 2009, respectively.

The components of inventory are as follows:

	December 31, 2010	December 31, 2009
Raw materials and containers	$ 56,412	$ 53,198
Finished goods	206,835	202,791
Total inventories	$ 263,247	$ 255,989

Property, Plant and Equipment

Property, plant and equipment are recorded at cost. Major replacements and improvements are capitalized, while maintenance and repairs which do not improve or extend the life of the respective assets are expensed as incurred. Depreciation is generally computed using the straight-line method over the estimated useful lives of the assets, which typically range from 20-40 years for buildings, 4-10 years for machinery and equipment, and 5-20 years for improvements.

When properties are disposed of, the related costs and accumulated depreciation are removed from the respective accounts, and any gain or loss on disposition is reflected in selling, general and administrative expense.

Capitalized Software

The Company capitalizes certain internal and external costs to acquire or create computer software for internal use. Internal costs include payroll costs, incurred in connection with the development or acquisition of software for internal use. Accordingly, certain costs of this internal-use software are capitalized beginning at the software application development phase, which is after technological feasibility is established.

Capitalized software costs are amortized using the straight-line method over the expected useful life of the software, which is generally 3 to 5 years.

Goodwill

Goodwill represents the excess of the purchase price over fair value of identifiable net assets acquired from business acquisitions. Goodwill is not amortized, but is reviewed for impairment on an annual basis and between annual tests if indicators of impairment are present. The Company conducts its annual impairment test for goodwill on the first day of the fourth quarter. Based on the Company’s business approach to decision-making, planning and resource allocation, the Company has determined that it has five reporting units for purposes of evaluating goodwill for impairment. These reporting units are discrete business components of the Company’s three operating segments.

The Company uses a two-step process to test goodwill for impairment. First, the reporting unit's fair value is compared to its carrying value. Fair value is estimated using a combination of a discounted cash flow approach and a market approach. If a reporting unit's carrying amount exceeds its fair value, an indication exists that the reporting unit's goodwill may be impaired, and the second step of the impairment test would be performed. The second step of the goodwill impairment test is used to measure the amount of the potential impairment loss. In the second step, the implied fair value of the reporting unit's goodwill is determined by allocating the reporting unit's fair value to all of its assets and liabilities other than goodwill in a manner similar to a purchase price allocation. The implied fair value of the goodwill that results from the application of this second step is then compared to the carrying amount of the goodwill and an impairment charge would be recorded for the difference if the carrying value exceeds the implied fair value of the goodwill.

The Company performed the required annual impairment test for fiscal years 2010, 2009 and 2008 and found no impairment of goodwill. There can be no assurance that future goodwill impairment tests will not result in a charge to earnings.

Other Intangibles

Purchased intangible assets are carried at cost less accumulated amortization. Definite-lived intangible assets, which primarily include customer lists, contractual arrangements, certain trademarks, patents and licenses, and technical know-how, have been assigned an estimated finite life and are amortized on a straight-line basis over periods ranging from 1 to 37 years. Indefinite-lived intangible assets, which primarily include certain trademarks, are evaluated annually for impairment and between annual tests if indicators of impairment are present.

The Company tests the carrying value of other intangible assets with indefinite lives by comparing the fair value of the intangible assets to the carrying value. Fair value is estimated using a relief of royalty approach, a discounted cash flow methodology using market-based royalty rates.

The Company conducts its annual impairment test for indefinite-lived intangible assets as of the first day of the fourth quarter. The Company performed the required impairment tests for fiscal years 2010, 2009 and 2008 and found no impairment of indefinite-lived intangible assets. There can be no assurance that future indefinite-lived intangible asset impairment tests will not result in a charge to earnings.

Impairment of Long-Lived Assets

Property, plant and equipment and other long-lived assets, including amortizable intangible assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the sum of the expected undiscounted cash flows is less than the carrying value of the related asset or group of assets, a loss is recognized for the difference between the fair value and carrying value of the asset or group of assets. Such analyses necessarily involve significant judgment. In fiscal 2010, 2009 and 2008, the Company recorded impairment charges of $5,416, $1,198 and $6,347, respectively, which are recorded as part of selling, general and administrative expenses in the consolidated statements of operations. Except for $469 related to impairment of customer lists, patents and trademarks in 2010, and $396 related to impairment of customer lists, contracts, licenses, and other intangibles in 2009, impairment charges for 2010, 2009 and 2008 were associated with the Company’s restructuring activities. The impairment charges are summarized as follows:

Impaired Asset Type	Amount of loss	Operating segment	Method for determining fair value
Fiscal Year 2010			
Building, machinery and plant equipment	$4,274	Europe	Market price
Land and building	463	Americas	Market price
Customer lists	228	Americas	Market price
Patents and trademarks	241	Greater Asia Pacific	Market price
Other long-lived assets	210	Various	Various
	$5,416		
Fiscal Year 2009			
Buildings and leasehold improvements	$ 700	Greater Asia Pacific	Market price
Customer lists, contracts, licenses and other intangibles	396	Americas	Market price
Other long-lived assets	102	Various	Various
	$1,198		
Fiscal Year 2008			
Land and building	$2,617	Greater Asia Pacific	Market price
Land, building and fixed assets	2,521	Europe	Market price
Other long-lived assets	1,209	Various	Various
	$6,347		

Investments

Investments in debt and equity securities are carried at cost or the equity method when appropriate, and are included in other assets. Investments are reviewed for impairment quarterly; an impairment charge is recorded if the fair value of the investment is less than its carrying value, and the impairment is other than temporary. In fiscal 2010, the Company recorded an impairment charge of $5,900 on one of its investments; this charge is included in selling, general and administrative expenses in the consolidated statements of operations.

Accrued Employee-Related Expenses

The Company accrues employee costs relating to payroll, payroll taxes, vacation, bonuses and incentives when incurred. Such accruals were $146,833 and $161,972 as of December 31, 2010 and December 31, 2009, respectively.

Environmental Remediation Costs

The Company accrues for losses associated with environmental remediation obligations when such losses are probable and reasonably estimable. Recoveries of environmental remediation costs from other parties are recorded as assets when their receipt is deemed probable. The accruals are adjusted as further information becomes available or circumstances change.

Foreign Currency Translations and Transactions

The functional currency of the Company’s foreign subsidiaries is generally the local currency. Accordingly, balance sheet accounts are translated to U.S. Dollars using the exchange rates in effect at the respective balance sheet dates and income statement amounts are translated to U.S. Dollars using the monthly weighted-average exchange rates for the periods presented. The aggregate effects of the resulting translation adjustments are included in accumulated other comprehensive income (see Note 25).

Gains and losses resulting from foreign currency transactions are generally recorded as a component of other (income) expense, net (see Note 16).

Hyperinflationary accounting

Effective January 11, 2010, the Venezuelan government devalued its currency (Bolivar) and moved to a two- tier exchange structure. The official exchange rate moved from 2.15 to 2.60 for essential goods and to 4.30 for non-essential goods and services. The Company's goods meet the non-essential classification.

Beginning with fiscal year 2010, the Company accounted for its Venezuelan subsidiary as hyperinflationary and used the exchange rate at which it expects to be able to remit dividends to translate its earnings and balance sheet. In association with the conversion, the Company recorded a pretax loss of $3,874, as a component of other (income) expense, net, in 2010.

Stock-Based Compensation

The Company measures and recognizes the compensation expense for all share-based awards made to employees and directors based on estimated fair values, in accordance with ASC 718, *Compensation – Stock Compensation*. As described in Note 22, the Company adopted a new management incentive plan in January 2010. The fair value of stock options granted is calculated using a Black-Scholes valuation model and compensation expense is recognized net of forfeitures on a straight line basis over the vesting period, currently ranging from three to four years.

Derivative Financial Instruments

The Company utilizes certain derivative financial instruments to enhance its ability to manage foreign currency exposures. Derivative financial instruments are entered into for periods consistent with the related underlying exposures and do not represent positions independent of those exposures. The Company does not enter into forward foreign currency exchange contracts for speculative purposes. The contracts are entered into with major financial institutions with no credit loss anticipated for the failure of counterparties to perform.

The Company recognizes all derivative financial instruments in the consolidated financial statements at fair value regardless of the purpose or intent for holding the instrument. Changes in the fair value of derivative financial instruments are either recognized periodically in the consolidated statements of operations or in stockholders' equity as a component of comprehensive income or loss depending on whether the derivative financial instrument qualifies for hedge accounting, and if so, whether it qualifies as a fair value hedge or cash flow hedge. Generally, changes in fair values of derivatives accounted for as fair value hedges are recorded in the consolidated statements of operations along with the portions of the changes in the fair values of the hedged items that relate to the hedged risks. Changes in fair values of derivatives accounted for as cash flow hedges, to the extent they are effective as hedges, are recorded in other comprehensive income or loss, net of deferred taxes. Hedge ineffectiveness to the extent that elements of the hedges are ineffective will be reported in the consolidated statements of operations. Hedge ineffectiveness was insignificant for all periods reported. Changes in fair value of derivatives not qualifying as hedges are reported in the consolidated statements of operations.

Accounting for Income Taxes

Current and noncurrent tax assets and liabilities are based upon an estimate of income taxes refundable or payable for each of the jurisdictions in which the Company is subject to tax. In the ordinary course of business, there is inherent uncertainty in quantifying income tax positions. The Company assesses income tax positions and records tax provisions/benefits for all years subject to examination based upon management's evaluation of the facts, circumstances and information available at the reporting dates. For those income tax positions where it is more likely than not that an income tax benefit will be sustained, the Company records the largest amount of income tax benefit with a greater than 50% likelihood of being realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information. For those income tax positions where it is not more likely than not that an income tax benefit will be sustained, no income tax benefit is recognized in the financial statements. When applicable, associated interest and penalties are recognized as a component of income tax expense. Accrued interest and penalties are included within the related tax asset or liability on the accompanying Consolidated Balance Sheets.

Deferred income taxes are provided for temporary differences arising from differences in basis of assets and liabilities for tax and financial reporting purposes. Deferred income taxes are recorded on temporary differences using enacted statutory income tax rates in effect for the year in which the temporary differences are expected to reverse. The effect of a change in statutory income tax rates on deferred tax assets and liabilities is recognized in earnings in the period that includes the enactment date. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. See Note 17 for further information on income taxes.

New Accounting Pronouncements

Business Combinations (ASC Topic 805)

In December 2010, the FASB issued an Accounting Standard Update ("ASU") related to Disclosure of Supplementary Pro Forma Information for Business Combinations. The amendments in this ASU specify that if a public entity presents comparative financial statements, the entity should disclose revenue and earnings of the combined entity as though the business combination(s) that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period only. The amendments also expand the supplemental pro forma disclosures to include a description of the nature and amount of material, nonrecurring pro forma adjustments directly attributable to the business combination included in the reported pro forma revenue and earnings. The amendments are effective prospectively for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2010. The Company will adopt this standard effective the beginning of its fiscal year 2011, and expects that the adoption of this standard will not significantly impact the consolidated financial statements.

Intangibles—Goodwill and Other (ASC Topic 350)

In December 2010, the FASB issued an ASU describing when to Perform Step 2 of the Goodwill Impairment Test for Reporting Units with Zero or Negative Carrying Amounts. The amendments in this ASU modify Step 1 of the goodwill impairment test for reporting units with zero or negative carrying amounts. For those reporting units, an entity is required to perform Step 2 of the goodwill impairment test if it is more likely than not that a goodwill impairment exists. In determining whether it is more likely than not that goodwill impairment exists, an entity should consider whether there are any adverse qualitative factors indicating that impairment may exist. The qualitative factors are consistent with the existing guidance and examples, which require that goodwill of a reporting unit be tested for impairment between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. For public entities, the amendments in this ASU are effective for fiscal years, and interim periods within those years, beginning after December 15, 2010. Early adoption is not permitted. The Company will adopt this standard effective the beginning of its fiscal year 2011, expects that the adoption of this standard will not significantly impact the consolidated financial statements.

Foreign Currency Matters (ASC Topic 830)

In May 2010, the FASB issued an ASU to codify the SEC staff's views on certain foreign currency issues related to investments in Venezuela. Among other things, this announcement provides background on the two acceptable inflation indices for Venezuela, states that Venezuela is now considered highly inflationary and calendar year entities that have not previously accounted for their Venezuelan investment as such should be applying highly inflationary accounting beginning January 1, 2010. As discussed above, the Company has accounted for its Venezuelan subsidiary as highly inflationary effective since January 2010; this update did not impact the Company's consolidated financial statements.

Revenue Recognition (ASC Topic 605)

In October 2009, the FASB issued an ASU on its standard on Multiple-Deliverable Revenue Arrangements to enable vendors to account for products or services (deliverables) separately rather than as a combined unit. This guidance establishes a selling price hierarchy for determining the selling price of a deliverable, specifically: (a) vendor-specific objective evidence; (b) third-party evidence; or (c) estimates. It also eliminates the residual method of allocation and requires that consideration be allocated at the inception of the arrangement to all deliverables using the relative selling price method. In addition, this guidance significantly expands required disclosures related to a vendor's multiple-deliverable revenue arrangements. This ASU is effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010. The Company adopted this guidance at the beginning of the third quarter of 2010 and its adoption did not impact the consolidated financial statements.

Fair Value Measurements (ASC Topic 820)

In January 2010, the FASB issued additional guidance to improve fair value disclosures and increase the transparency in financial reporting. These enhancements include: (1) a reporting entity should disclose separately the amounts of significant transfers in and out of Level 1 and Level 2 fair value measurements and describe the reasons for the transfers; and (2) in the reconciliation for fair value measurements using significant unobservable inputs, a reporting entity should present separately information about purchases, sales, issuances, and settlements. This new guidance is effective for interim and annual reporting periods beginning after December 15, 2009. The Company adopted this guidance at the beginning of fiscal year 2010 and its adoption did not impact the consolidated financial statements.

Transfers and Servicing (ASC Topic 860)

In June 2009, the FASB eliminated the concept of a "qualifying special-purpose entity" and changed the requirements for derecognizing financial assets. As a result of this amendment to U.S. GAAP, many types of transferred financial assets that previously qualified for de-recognition in the balance sheet no longer qualify, including certain securitized accounts receivable. In particular, this amendment introduced the concept of a participating interest as a unit of account and reiterates the requirement that in order for a transfer of accounts receivable to qualify as a sale, effective control must be transferred; if the accounts receivable transferred meet the definition of a participating interest, the transfer qualifies for sale accounting. Because the accounts receivable transferred under our securitization arrangements do not meet the definition of a participating interest, the arrangement fails to meet the requirements of a complete transfer of control, and cannot continue to be treated as a sale. The Company adopted this guidance at the beginning of fiscal year 2010. As a result of the adoption of this standard, the Company restored the securitized accounts receivable in its balance sheet and recognized short-term borrowings. See Note 7 for additional information.

Consolidation (ASC Topic 810)

Variable Interest Entities ("VIEs"): In June 2009, the FASB amended the evaluation criteria used to identify the primary beneficiary of a VIE, potentially changing significantly the decision on whether or not a VIE should be consolidated. This statement requires companies to qualitatively assess the determination of the primary beneficiary of a VIE based on whether the entity (1) has the power to direct matters that most significantly impact the activities of the VIE, and (2) has the obligation to absorb losses or the right to receive benefits of the VIE that could potentially be significant to the VIE. Additionally, the new standard requires ongoing reassessments of whether an enterprise is the primary beneficiary. The Company adopted this guidance at the beginning of fiscal year 2010, and its adoption did not impact the consolidated financial statements.

International Financial Reporting Standards ("IFRS")

In February 2010, the SEC issued a statement that reaffirms its support for the potential use of IFRS in the preparation of financial statements by U.S. registrants. It announced a work plan by which it is expected to make a determination in 2011 whether or not it will mandate the conversion to IFRS. As of October 2010, the SEC continues to anticipate making the determination in 2011 of whether, when, and how to incorporate IFRS into the U.S. domestic financial reporting system. The Company is currently assessing the potential impact of IFRS on its financial statements and will continue to review progress of the work plan.

(3) Master Sales Agency Terminations and Umbrella Agreement

In connection with the May 2002 acquisition of the DiverseyLever business, the Company entered into a master sales agency agreement (the "Prior Agency Agreement") with Unilever, whereby the Company acts as an exclusive sales agent in the sale of Unilever's consumer brand products to various institutional and industrial end-users. At acquisition, the Company assigned an intangible value to the Prior Agency Agreement of $13,000, which was fully amortized at May 2007.

In October 2007, the Company and Unilever entered into the Umbrella Agreement (the "Umbrella Agreement"), to replace the Prior Agency Agreement, which includes; (i) a new agency agreement with terms similar to the Prior Agency Agreement, covering Ireland, the United Kingdom, Portugal and Brazil, and (ii) a Master Sub-License Agreement (the "License Agreement") under which Unilever has agreed to grant 31 of the Company's subsidiaries a license to produce and sell professional size packs of Unilever's consumer brand cleaning products. The entities covered by the License Agreement have also entered into agreements with Unilever to distribute Unilever's consumer branded products. Except for some transitional arrangements in certain countries, the Umbrella Agreement became effective January 1, 2008, and, unless otherwise terminated or extended, will expire on December 31, 2017.

An agency fee is paid by Unilever to the Company in exchange for its sales agency services. An additional fee was payable by Unilever to the Company in the event that conditions for full or partial termination of the Prior Agency Agreement were met. At various times during the life of the Prior Agency Agreement, the Company elected, and Unilever agreed, to partially terminate the Prior Agency Agreement in several territories resulting in payment by Unilever to the Company of additional fees, which are recognized in the consolidated statements of operations over the life of the Umbrella Agreement. In association with the partial terminations, the Company recognized sales agency fee income of $623, $637 and $743 during fiscal years 2010, 2009 and 2008, respectively.

An additional fee is payable by Unilever to the Company in the event that conditions for full or partial termination of the License Agreement are met. The Company elected, and Unilever agreed, to partially terminate the License Agreement in several territories resulting in payment by Unilever to the Company of additional fees. In association with the partial terminations, the Company recognized sales income of $157 during the year ended December 31, 2010.

Under the License Agreement, the Company recorded net product and service sales of $127,711, $133,368 and $151,335 during fiscal years 2010, 2009 and 2008, respectively.

(4) Acquisitions

Intangible Acquisition

In June 2008, the Company purchased certain intangible assets relating to a cleaning technology for an aggregate purchase price of $8,020. The purchase price includes a $1,000 non-refundable deposit made in July 2007; $5,020 paid at closing; and $2,000 of future payments that are contingent upon, among other things, achieving commercial production. Assets acquired include primarily intangible assets, consisting of trademarks, patents, technical know-how, customer relationships and a non-compete agreement. The Company paid the sellers $1,000 in both September 2008 and December 2008 having met certain contingent requirements.

In conjunction with the acquisition, the Company and the sellers entered into a consulting agreement, under which the Company was required to pay to the sellers $1,000 in fiscal 2009. The Company paid the sellers $500 in both January 2009 and July 2009 as the sellers met the contingent requirements. In December 2010, the Company and the sellers amended the consulting agreement and the Company recorded additional consideration of $400, which was capitalized and allocated to the purchase price as technical know-how.

In addition to the purchase price discussed above, the Company previously maintained an intangible asset in its consolidated balance sheets in the amount of $4,700, representing a payment from the Company to the sellers in a previous period in exchange for an exclusive distribution license agreement relating to this technology. This distribution agreement was terminated as a result of the acquisition and the value of this asset was considered in the final allocation of the purchase price.

At December 31, 2010, the Company's allocation of the purchase price was as follows:

	Fair Value	Useful Life
Trademarks	$ 540	Indefinite
Patents	40	18 years
Technical know-how	12,230	20 years
Customer relationships	420	10 years
Non-compete	600	10 years

Joint Venture

In December 2010, the Company and Atlantis Activator Technologies LLC ("Atlantis"), an Ohio-based limited liability company, formed a joint venture, Proteus Solutions, LLC ("Proteus"), to develop and market products for laundry and other applications. The Company contributed $3,400 and Atlantis contributed intellectual property, with each holding a 50% interest in Proteus. The Company expects to provide operational funding and management resources to Proteus following formalization of the business plan. The joint venture is not expected to generate operating results until the second half of fiscal 2011. At December 31, 2010, the Company's investment in Proteus is included at cost in other assets in the consolidated balance sheets.

(5) Divestitures

Auto-Chlor Master Franchise and Branch Operations

In December 2007, in conjunction with its November 2005 Plan (see Note 14), the Company executed a sales agreement for its Auto-Chlor Master Franchise and substantially all of its remaining Auto-Chlor branch operations in North America, a business that marketed and sold low-energy dishwashing systems, kitchen chemicals, laundry and housekeeping products and services to foodservice, lodging, healthcare, and institutional customers, for $69,800.

The transaction closed on February 29, 2008, resulting in a net book gain of approximately $1,292 after taxes and related costs. The gain associated with these divestiture activities is included as a component of selling, general and administrative expenses in the consolidated statements of operations. In fiscal years 2010 and 2009, the Company recorded adjustments related to closing costs and pension-related settlement charges, reducing the gain by $154 and $208, respectively. Any additional post-closing adjustments are not anticipated to be significant.

Net sales associated with this business were approximately $9,882 for the fiscal year ended December 31, 2008.

(6) Discontinued Operations

DuBois Chemicals

On September 26, 2008, Diversey and JohnsonDiversey Canada, Inc., a wholly-owned subsidiary of Diversey, sold substantially all of the assets of DuBois Chemicals (“DuBois”) to DuBois Chemicals, Inc. and DuBois Chemicals Canada, Inc., subsidiaries of The Riverside Company (collectively, “Riverside”), for approximately $69,700, of which, $5,000 was escrowed subject to meeting certain fiscal year 2009 performance measures and $1,000 was escrowed subject to resolution of certain environmental representations by Diversey. The purchase price is also subject to certain post-closing adjustments that are based on net working capital targets. Diversey and Riverside finalized the performance related adjustments during the second quarter of 2010 which did not require any purchase price adjustments.

DuBois is a North American-based manufacturer and marketer of specialty chemicals, control systems and related services primarily for use by industrial manufacturers. DuBois was a non-core asset of Diversey and a component of the North American operating segment. The sale resulted in a gain of approximately $14,774 ($6,211 after tax) being recorded in the fiscal year ended December 31, 2008, net of related costs. During the fiscal year ended December 31, 2009, Diversey reduced the gain by $900 ($641 after tax) as a result of additional one-time costs and pension-related settlement charges, partially offset by proceeds from the environmental escrow. During the fiscal year ended December 31, 2010, Diversey reduced the gain by $91 ($91 after tax loss) as a result of additional one-time costs and pension-related settlement charges. Any additional post-closing adjustments are not anticipated to be significant.

Net sales from discontinued operations relating to DuBois were $72,134 which includes $7,193 of intercompany sales for the fiscal year ended December 31, 2008.

Income from discontinued operations relating to DuBois was comprised of the following:

	Fiscal Year Ended December 31, 2010	December 31, 2009	December 31, 2008
Income from discontinued operations before taxes and gain from sale	$ —	$ —	$ 6,630
Tax provision on income from discontinued operations	—	—	(2,476)
Gain (loss) on sale of discontinued operations before taxes	(91)	(900)	14,774
Tax benefit (provision) on gain (loss) from sale of discontinued operations	—	259	(8,563)
Income (loss) from discontinued operations	$ (91)	$ (641)	$ 10,365

The asset purchase agreement relating to the DuBois disposition refers to ancillary agreements governing certain relationships between the parties, including a distribution agreement and supply agreement, each of which is not considered material to Diversey’s consolidated financial results.

Polymer Business

On June 30, 2006, Johnson Polymer, LLC (“Johnson Polymer”) and JohnsonDiversey Holdings II B.V. (“Holdings II”), an indirectly owned subsidiary of Diversey, completed the sale of substantially all of the assets of Johnson Polymer, certain of the equity interests in, or assets of, certain Johnson Polymer subsidiaries and all of the equity interests owned by Holdings II in Johnson Polymer B.V. (collectively, the “Polymer Business”) to BASF Aktiengesellschaft (“BASF”) for approximately $470,000 plus an additional $8,119 in connection with the parties' estimate of purchase price adjustments that are based upon the closing net asset value of the Polymer Business. Further, BASF paid Diversey $1,500 for the option to extend the tolling agreement (described below) by up to six months. In December 2006, the Company and BASF finalized purchase price adjustments related to the net asset value and Diversey received an additional $4,062.

The Polymer Business developed, manufactured, and sold specialty polymers for use in the industrial print and packaging industry, industrial paint and coatings industry, and industrial plastics industry. The Polymer Business was a non-core asset of Diversey and had been reported as a separate operating segment. The sale resulted in a gain of approximately $352,907 ($256,693 after tax), net of related costs.

Diversey recorded additional closing costs, reducing the gain by $192 ($226 after tax loss), during the fiscal year ended December 31, 2008. During the fiscal year ended December 31, 2009, Diversey recorded certain pension-related adjustments and additional closing costs, reducing the gain by $239 ($246 after tax loss). During the fiscal year ended December 31, 2010, Diversey recorded certain pension-related adjustments and additional closing costs, reducing the gain by $751 ($751 after tax loss). Any additional post-closing adjustments are not anticipated to be significant.

The asset and equity purchase agreement relating to the disposition of the Polymer Business refers to ancillary agreements governing certain relationships between the parties, including a supply agreement and tolling agreement, each of which is not considered material to the Company’s consolidated financial results.

Supply Agreement

A ten-year global agreement provides for the supply of polymer products to Diversey by BASF. Unless either party provides notice of its intent not to renew at least three years prior to the expiration of the ten-year term, the term of the agreement will extend for an additional five years. The agreement requires that Diversey purchase a specified percentage of related products from BASF during the term of the agreement. Subject to certain adjustments, Diversey has a minimum volume commitment during each of the first five years of the agreement.

Tolling Agreement

A three-year agreement provided for the toll manufacture of polymer products by the Company, at its manufacturing facility in Sturtevant, Wisconsin, for BASF. The agreement, after a nine month extension, terminated on March 2010. The agreement specified product pricing and provides BASF the right to purchase certain equipment retained by the Company.

In association with the tolling agreement, the Company agreed to pay $11,400 in compensation to SCJ, a related party, primarily related to pre-payments and the right to extend terms on the lease agreement at the Sturtevant, Wisconsin manufacturing location. The Company amortized $9,200 of the payment into the results of the tolling operation over the term of the tolling agreement, with the remainder recorded as a reduction of the gain on discontinued operations.

The Company considered its continuing involvement with the Polymer Business, including the supply agreement and tolling agreement, concluding that neither the related cash inflows nor cash outflows were direct, due to the relative insignificance of the continuing operations to the disposed business.

Income from discontinued operations relating to the Polymer Business was comprised of the following:

	Fiscal Year Ended		
	December 31, 2010	December 31, 2009	December 31, 2008
Loss on sale of discontinued operations before taxes	$ (751)	$ (239)	$ (192)
Tax benefit on loss from sale of discontinued operations	—	(7)	(34)
Income (loss) from tolling operations	(9,519)	(1,094)	477
Tax benefit (provision) on income (loss) from tolling operations	—	8	(200)
Income (loss) from discontinued operations	$ (10,270)	$ (1,332)	$ 51

(7) Accounts Receivable Securitization

JWPR Corporation

Prior to November 2010, the Company and certain of its subsidiaries entered into an agreement (the “Receivables Facility”) as amended, whereby they sell, on a continuous basis, certain trade receivables to JWPR Corporation (“JWPRC”), a wholly-owned, consolidated, special purpose, bankruptcy-remote subsidiary of the Company. JWPRC was formed in March 2001 for the sole purpose of buying and selling receivables generated by the Company and certain of its subsidiaries party to the Receivables Facility. JWPRC sold an undivided interest in the accounts receivable to a nonconsolidated financial institution (the “Conduit”) for an amount equal to the value of all eligible receivables (as defined under the receivables sale agreement between JWPRC and the Conduit) less the applicable reserve. The total potential for securitization of trade receivables under the Receivables Facility at December 31, 2009 was $50,000. In November 2010, JWPRC terminated this Receivables Facility.

JDER Limited

Also, prior to November 2010, certain subsidiaries of the Company entered into agreements to sell, on a continuous basis, certain trade receivables originated in the United Kingdom, France and Spain to JDER Limited (“JDER”), a wholly-owned, consolidated, special purpose, bankruptcy-remote indirect subsidiary of the Company (the “European Receivables Facility”). JDER was formed in September 2009 for the sole purpose of buying and selling receivables originated by subsidiaries subject to the European Receivables Facility. JDER sold an undivided interest in the accounts receivable to a nonconsolidated financial institution (the “European Conduit”) for an amount equal to the value of the eligible receivables less the applicable reserve. The total amount available for securitization of trade receivables under the European Receivables Facility is €50,000. In November 2010, JDER terminated the European Receivables Facility.

Effective January 1, 2010, the accounting treatment for the Company’s receivables securitization facilities (see Note 2) required that accounts receivable sold to the Conduit and to the European Conduit be included in accounts receivable, with a corresponding increase in short-term borrowings.

As a result of the facility terminations, JDER repurchased the remaining receivables transferred to the European Conduit, and transferred its retained interest in receivables back to the subsidiaries that originated them; JWPRC did not have any receivables outstanding with the Conduit. Accordingly, $2,826 of unamortized fees were written off and included in interest expense in the Company’s consolidated statements of operations. Prior to the write-off, the Company had recorded amortization of debt issuance costs in the amount of $1,060 in 2010, which is included in interest expense in the Company’s consolidated statements of operations.

As of December 31, 2010 and December 31, 2009, the Company had a retained interest of $0 and $60,048, respectively, in the receivables of JWPRC, and of $0 and $110,445, respectively, in the receivables of JDER. The retained interest is included in the accounts receivable balance and is reflected in the consolidated balance sheets at estimated fair value. Prior to the effective date of the change in accounting treatment, as of December 31, 2009, the European Conduit held $18,703, of accounts receivable that were not included in the accounts receivable balance in the Company’s consolidated balance sheet.

Costs associated with the sale of beneficial interests in the receivables vary on a monthly basis and are generally related to the commercial paper rate and administrative fees associated with the overall program facility. Such costs were $1,643, $1,680 and $2,195 for the fiscal year ended December 31, 2010, December 31, 2009 and December 28, 2008, respectively, and are included in interest expense in the consolidated statements of operations.

(8) Property, Plant and Equipment

Property, plant and equipment, net, consisted of the following:

	December 31, 2010	December 31, 2009
Land and improvements	$ 59,023	$ 57,456
Buildings and leasehold improvements	219,735	214,758
Equipment	696,542	681,930
Capital leases	3,817	4,090
Construction in progress	38,675	28,955
	1,017,792	987,189
Less–Accumulated depreciation	(607,285)	(571,544)
Property, plant and equipment, net	$ 410,507	$ 415,645

(9) Capitalized Software

Capitalized software, net, consisted of the following:

	December 31, 2010	December 31, 2009
Capitalized software	$ 277,621	$ 257,296
Less–Accumulated amortization	(224,641)	(203,998)
	$ 52,980	$ 53,298

Amortization expense related to capitalized software was $18,009, $16,428 and $15,736 for the fiscal years ended December 31, 2010, December 31, 2009 and December 31, 2008, respectively.

(10) Goodwill

Changes in the balance of the goodwill account from January 1, 2009 to December 31, 2010 were as follows:

	Fiscal Year Ended	
	December 31, 2010	**December 31, 2009**
Balance at beginning of year	$ 1,271,032	$ 1,226,014
Impact of foreign currency fluctuations	(7,601)	45,018
Balance at end of year	1,263,431	1,271,032

The Company had no accumulated impairment losses at December 31, 2010 and 2009.

(11) Other Intangibles

Other intangibles consisted of the following:

	Weighted-Average Useful Lives	December 31, 2010	December 31, 2009
Definite-lived intangible assets:			
Trademarks and patents	10 years	$ 47,815	$ 49,813
Customer lists, contracts, licenses and other intangibles	14 years	199,804	202,311
Indefinite-lived intangible assets:			
Trademarks	—	126,401	134,950
Licenses and other intangibles	—	2,441	2,441
		376,461	389,515
Less–Accumulated amortization		(182,286)	(168,746)
Other intangibles, net		$ 194,175	$ 220,769

Amortization expense for other intangibles was $18,065, $19,067 and $22,901 for the fiscal years ended December 31, 2010, December 31, 2009 and December 31, 2008, respectively. Included in these amounts are impairment charges of $469, $396 and $0, respectively (see Note 2).

The aggregate amounts of anticipated amortization of intangible assets for each of the next five fiscal years and thereafter are as follows:

Year	
2011	$12,656
2012	6,899
2013	5,563
2014	4,653
2015	4,237
Thereafter	31,325
	$65,333

(12) Indebtedness and Credit Arrangements

In connection with the recapitalization and refinancing transactions (see Note 26), the Company and Diversey entered into new debt arrangements, the proceeds of which were primarily used to repurchase or redeem Diversey's previously outstanding senior subordinated notes, the senior discount notes and to repay borrowings under Diversey's previous senior secured credit facilities, and to settle the obligations relating to the Redemption Agreement. The following is a summary of the terms of the Company's new debt and the retirement of the previous indebtedness.

The Company's indebtedness and credit arrangements consisted of the following:

	December 31, 2010	December 31, 2009
Short-term borrowings:		
Revolving facility [1]	$ —	$ —
Other lines of credit	24,205	27,661
Long-term borrowings:		
Diversey, Inc.:		
Term Loans [1]	$ 814,806	$ 981,092
Senior Notes [2]	400,000	400,000
Diversey Holdings, Inc.:		
Holdings Senior Notes [3]	262,469	250,000
	1,477,275	1,631,092
Less: Unamortized discount	22,099	27,584
Less: Current maturities of long-term debt	9,498	9,811
	$ 1,445,678	$ 1,593,697

[1] Term Loans and Revolving Facility

On November 24, 2009, Diversey entered into new senior secured credit facilities ("Senior Secured Credit Facilities"). The Senior Secured Credit Facilities include three term loan facilities, one in U.S. dollars, one in Canadian dollars, and one in euros. The Senior Secured Credit Facilities also include a $250,000 multicurrency, revolving credit facility available in U.S. dollars, euros, Canadian dollars and/or British pounds, and include a letter of credit sub-limit of $50,000 and a swing-line loan sub-limit of $30,000 ("Revolving Facility").

The net proceeds of the Term Loans, after deducting the original issue discount of $15,000, but before offering expenses and other debt issuance costs, were $985,000. The Term Loans will mature on November 24, 2015, and will amortize in quarterly installments of 1.00% per annum with the balance due at maturity.

Borrowings under the Senior Secured Credit Facilities bear interest based on LIBOR, EURIBOR, the BA rate or Base Rate (all as defined in the credit agreement to the Senior Secured Credit Facilities), plus an agreed upon margin that adjusts based on the Company's leverage ratio, and subject to a floor rate. At December 31, 2010, the U.S. dollar denominated borrowings bear interest at 5.25%, which is LIBOR plus 325 basis points, subject to a minimum LIBOR floor of 2.00%. The Canadian dollar denominated borrowings bear interest at 5.25%, which is the BA rate plus 325 basis points, subject to a minimum BA floor of 2.00%. The euro denominated borrowings bear interest at 6.25%, which is EURIBOR plus 400 basis points, subject to a EURIBOR floor of 2.25%. At December 31, 2009, the U.S. dollar and Canadian dollar denominated borrowings carried interest at 5.50% and the euro denominated borrowings carried interest at 6.50%. Interest is generally payable quarterly in arrears.

The Revolving Facility will mature on November 24, 2014. At December 31, 2010 and December 31, 2009, there were no outstanding borrowings under the Revolving Facility. As of December 31, 2010, we had $3,720 in letters of credit outstanding under the revolving portion of the Senior Secured Credit Facilities and therefore had the ability to borrow an additional $246,280 under this revolving facility.

All obligations under the Senior Secured Credit Facilities are secured by substantially all the assets of the Company, Diversey and each subsidiary of Diversey (but limited to the extent necessary to avoid materially adverse tax consequences to the Company and its subsidiaries, taken as a whole and by restrictions imposed by applicable law).

Amendment to the Senior Secured Credit Facilities credit agreement. The Senior Secured Credit Facilities were amended in March 2011. This amendment reduced the interest rate payable with respect to the Term Loans, thereby reducing borrowing costs over the remaining life of the credit facilities. The spread on the U.S. dollar and Canadian dollar denominated borrowings was reduced from 325 basis points to 300 basis points, and the minimum LIBOR and BA floors were reduced from 2.00% to 1.00%. The spread on the euro denominated borrowing was reduced from 400 basis points to 350 basis points and the EURIBOR floor was reduced from 2.25% to 1.50%.

In addition, the amendment changed various financial covenants and credit limits to provide us with greater flexibility to operate our business. These changes include the ability to issue incremental term loan facilities and the ability to issue dividends to Holdings to fund cash interest payments on the Holdings Senior Notes.

[2] Diversey Senior Notes

On November 24, 2009, Diversey issued $400,000 of 8.25% senior notes due 2019 ("Original Senior Notes"). The net proceeds of the offering, after deducting the original issue discount of $3,320, but before offering expenses and other debt issuance costs, were $396,680. As required by the exchange and registration rights agreement entered into in connection with the issuance and sale of the Original Senior Notes, the Company filed a registration statement on Form S-4 with the SEC, which registration statement, as amended, was declared effective on July 12, 2010, and conducted an offer to exchange the outstanding Original Senior Notes for new notes that have been registered under the Securities Act of 1933 ("Diversey Senior Notes"). This exchange offer closed on August 13, 2010, with all of the Original Senior Notes having been tendered for exchange.

Diversey will pay interest on the Diversey Senior Notes May 15 and November 15 of each year, beginning on May 15, 2010. The Diversey Senior Notes will mature on November 15, 2019.

The Diversey Senior Notes are unsecured and are effectively subordinated to the Senior Secured Credit Facilities to the extent of the value of Diversey's assets of Diversey's subsidiaries that secure such indebtedness. The indenture governing the Diversey Senior Notes contains certain covenants and events of default that the Company believes are customary for indentures of this type.

[3] Holdings Senior Notes

Also in connection with the recapitalization and refinancing of the Company, the Company issued $250,000 of 10.50% senior notes that mature on May 15, 2020 ("Original Holdings Senior Notes"). The Company used the net proceeds from the offering to provide funds necessary to consummate a portion of the Transactions, including, to fund the repurchase of its common equity ownership interests previously held by an affiliate of Unilever. The net proceeds of the offering, after deducting original issue discount of $10,000, but before estimated offering expenses and other debt issuance costs, were approximately $240,000.

As required by the exchange and registration rights agreement entered into in connection with the issuance and sale of the Original Holdings Senior Notes, the Company filed a registration statement on Form S-4 with the SEC, which registration statement, as amended, was declared effective on July 12, 2010, and conducted an offer to exchange the outstanding Original Holdings Senior Notes for new notes that have been registered under the Securities Act of 1933 ("Holdings Senior Notes"). This exchange offer closed on August 13, 2010, with all of the Original Holdings Senior Notes having been tendered for exchange.

Prior to November 15, 2014, the Company may elect to pay interest on the notes in cash or by increasing the principal amount of the notes. On November 15, 2010, the Company paid $13,780 of interest in cash on the Holdings Senior Notes, and has elected to pay interest in cash on May 16, 2011. From and after November 15, 2014 cash interest will accrue on the notes and be payable semi-annually in arrears. The Company has the option, at various dates, to redeem portions of the notes prior to maturity. The Company may be required to make an offer on all or part of the notes, at the discretion of the holder, if certain conditions are met, including change in control of the Company and certain asset sales.

The Holdings Senior Notes are unsecured and are not guaranteed by any of the Company's subsidiaries. The indenture agreement underlying the Holdings Senior Notes contains certain covenants and events of default that the Company believes are customary for indentures of this type.

Notes redemption and other costs

In connection with the redemption of the previously outstanding senior subordinated notes and the termination of the previously outstanding term loan B, the Company incurred the following expenses in 2009:

Write-off of balance of discount of redeemed senior discount notes	$13,953
Redemption premium on senior subordinated notes	11,748
Write-off of balance of unamortized debt issuance costs of redeemed notes	10,867
Redemption premium on senior discount notes	8,640
Termination of interest rate swaps	3,188
Other transaction related fees	393
	$48,789

Capitalized debt issuance costs

In connection with the refinancing of the Company, the Company capitalized approximately $80,866 of debt issuance costs. These costs are being amortized under the effective interest method over the life of the related debt instruments. As of December 31, 2010 and December 31, 2009, the unamortized balance of debt issuance costs of $52,737 and $63,894 respectively are included in other assets and $9,581 and $10,740 respectively are included in other current assets.

In 2010, the amortization of these costs approximated $15,299 and is included in interest expense.

Unamortized discount

The unamortized discount at December 31, 2010 and December 31, 2009 are summarized as follows:

	Term Loans	Senior Notes	Holdings Senior Notes	Total
Original Issue Discount	$ 15,000	$ 3,320	$ 10,000	$28,320
Amortization in 2009	(256)	(34)	(66)	(356)
Effects of foreign exchange translation	(380)	—	—	(380)
Unamortized discount, December 31, 2009	14,364	3,286	9,934	27,584
Amortization in 2010	(3,565)	(212)	(997)	(4,774)
Effects of foreign exchange translation	(711)	—	—	(711)
Unamortized discount, December 31, 2010	$ 10,088	$ 3,074	$ 8,937	$22,099
Effective interest rate	5.70% - 6.91%	8.37%	10.96%	

These discounts are being amortized under the effective interest method over the terms of the related debt instruments.

Scheduled Maturities of Long-term Borrowings

The schedule of principal payments for indebtedness and credit arrangements at December 31, 2010, is as follows:

Year	
2011	$ 9,498
2012	9,498
2013	9,498
2014	9,498
2015	776,814
Thereafter	662,469
	$1,477,275

Financial Covenants

Under the terms of its Senior Secured Credit Facilities, the Company is subject to specified financial covenants and other limitations that require the Company to meet the following targets and ratios:

Maximum Leverage Ratio. The Company is required to maintain a leverage ratio for each financial covenant period of no more than the maximum ratio specified for that financial covenant period. The maximum leverage ratio is the ratio of: (i) the Company's consolidated indebtedness (excluding up to $55,000 of indebtedness incurred under the Company's Receivables Facilities (see Note 7)) less cash and cash equivalents as of the last day of a financial covenant period to (ii) the Company's consolidated EBITDA ("Credit Agreement EBITDA" as defined in Item 7 of the accompanying Form 10-K) for the same financial covenant period. EBITDA is generally defined as earnings before interest, taxes, depreciation and amortization, plus the addback of specified expenses. The Senior Secured Credit Facilities requires that the Company's maximum leverage ratio not exceed a declining range from 4.75 to 1 for the financial covenant period ending nearest December 31, 2010, to 3.50 to 1 for the financial covenant periods ending nearest September 30, 2014 and thereafter.

Minimum Interest Coverage Ratio. The Company is required to maintain an interest coverage ratio for each financial covenant period of no less than the minimum ratio specified for that financial covenant period. The minimum interest coverage ratio is the ratio of: (i) the Company's consolidated Credit Agreement EBITDA for a financial covenant period to (ii) the Company's cash interest expense for that same financial covenant period calculated in accordance with the Senior Secured Credit Facilities. The Senior Secured Credit Facilities require that the Company's minimum interest coverage ratio not exceed an increasing range from 2.75 to 1 for the financial covenant period ending nearest December 31, 2010, to 3.25 to 1 for the financial covenant period ending nearest September 30, 2012 and thereafter.

Capital Expenditures. Capital expenditures are generally limited to $150,000 per fiscal year (with certain exceptions). To the extent that the Company makes capital expenditures of less than the limit in any fiscal year, however, it may carry forward into the subsequent year the difference between the limit and the actual amount expended, provided that the amounts carried forward from the previous year will be allocated to capital expenditures in the current fiscal year only after the amount allocated to the current fiscal year is exhausted. As of December 31, 2010, the Company was in compliance with the limitation on capital expenditures for fiscal year 2010.

The Senior Secured Credit Facilities contain additional covenants that restrict the Company's ability to declare dividends and to redeem and repurchase capital stock. It also limits the Company's ability to incur additional liens, engage in sale-leaseback transactions, incur additional indebtedness and make investments, among other restrictions.

As of December 31, 2010, the Company was in compliance with all covenants under the Senior Secured Credit Facilities.

Indenture for the Diversey Senior Notes

The indenture for the Diversey Senior Notes of the Company restricts the Company's ability and the ability of its restricted subsidiaries to, among other things, incur additional indebtedness; pay dividends on, redeem or repurchase capital stock; issue or allow any person to own preferred stock of restricted subsidiaries; in the case of non-guarantor subsidiaries, guarantee indebtedness without also guaranteeing the Diversey Senior Notes; in the case of restricted subsidiaries, create or permit to exist dividend or payment restrictions with respect to the Company; make investments; incur or permit to exist liens; enter into transactions with affiliates; merge, consolidate or amalgamate with another company; and transfer or sell assets.

As of December 31, 2010, the Company was in compliance with all covenants under the indenture for the Diversey Senior Notes.

Cross Defaults

The Company's failure to comply with the terms of the Senior Secured Credit Facilities or the indenture for the Diversey Senior Notes or the Company's inability to comply with financial ratio tests or other restrictions could result in an event of default under the indenture for the Diversey Senior Notes or the Senior Secured Credit Facilities. Additionally, a payment default or default that permits or results in the acceleration of indebtedness aggregating $45,000 or more, including, without limitation, indebtedness under the Senior Secured Credit Facilities, the indenture for the Diversey Senior Notes and indebtedness under the Company's Receivables Facility, and foreign lines of credit, is also an event of default under the Senior Secured Credit Facilities, the indenture for the Diversey Senior Notes and the indenture for the Holdings Senior Notes (see Note 26). Further, specified defaults under the Senior Secured Credit Facilities and the indenture for the Diversey Senior Notes constitute defaults under the Company's Receivables Facility, European Receivables Facility, some of the Company's foreign lines of credit and the Company's license agreements with SCJ. A default, if not cured or waived, may permit acceleration of the Company's indebtedness or result in a termination of its license agreements.

(13) Financial Instruments

The Company sells its products in more than 175 countries and approximately 83% of the Company's revenues are generated outside the United States. The Company's activities expose it to a variety of market risks, including the effects of changes in foreign currency exchange rates and interest rates. These financial risks are monitored and managed by the Company as an integral part of its overall risk management program.

The Company maintains a foreign currency risk management strategy that uses derivative instruments (foreign currency forward contracts) to protect its interests from fluctuations in earnings and cash flows caused by the volatility in currency exchange rates. Movements in foreign currency exchange rates pose a risk to the Company's operations and competitive position, since exchange rate changes may affect the profitability and cash flow of the Company, and business and/or pricing strategies of competitors.

Certain of the Company's foreign business unit sales and purchases are denominated in the customers' or vendors' local currency. The Company purchases foreign currency forward contracts as hedges of foreign currency denominated receivables and payables and as hedges of forecasted foreign currency denominated sales and purchases. These contracts are entered into to protect against the risk that the future dollar-net-cash inflows and outflows resulting from such sales, purchases, firm commitments or settlements will be adversely affected by changes in exchange rates.

At December 31, 2010 and December 31, 2009, the Company held 23 and 26 foreign currency forward contracts as hedges of foreign currency denominated receivables and payables with aggregate notional amounts of $163,092 and $236,934, respectively. Because the terms of such contracts are primarily less than three months, the Company did not elect hedge accounting treatment for these contracts. The Company records the changes in the fair value of those contracts within other (income) expense, net, in the consolidated statements of operations. Total net realized and unrealized (gains) losses recognized on these contracts were $(2,523), $14,219 and $(12,521) for the fiscal years ended December 31, 2010, December 31, 2009 and December 31, 2008, respectively.

As of December 31, 2010 and December 31, 2009, the Company held 194 and 100 foreign currency forward contracts as hedges of forecasted foreign currency denominated sales and purchases with aggregate notional amounts of $62,983 and $38,817, respectively. The maximum length of time over which the Company typically hedges cash flow exposures is twelve months. To the extent that these contracts are designated and qualify as cash flow hedging instruments, the effective portion of the gain or loss on the derivative instrument is recorded in other comprehensive income and reclassified as a component to net income (loss) in the same period or periods during which the hedged transaction affects earnings. Net unrealized losses on cash flow hedging instruments of $409 and $196 were included in accumulated other comprehensive income, net of tax, at December 31, 2010 and December 31, 2009, respectively. There was no ineffectiveness related to cash flow hedging instruments during the fiscal years ended December 31, 2010 or December 31, 2009. Unrealized gains and losses existing at December 31, 2010, which are expected to be reclassified into the consolidated statements of operations from other comprehensive income during fiscal year 2011, are not expected to be significant.

The Company was party to three interest rate swaps with expiration dates in May 2010. These swaps were purchased to hedge the Company's floating interest rate exposure on term loan B with a final maturity of December 2011. Under the terms of these swaps, the Company paid fixed rates of 4.825%, 4.845% and 4.9% and received three-month LIBOR on the notional amount for the life of the swaps. All interest rate swaps were designated and qualified as cash flow hedging instruments and, therefore, the effective portion of the gain or loss on the derivative instrument was recorded in accumulated other comprehensive income and reclassified as a component to net income (loss) in the same period or periods during which the hedged exposure affected earnings. The net unrealized loss included in accumulated other comprehensive income, net of tax, was $6,496 for the year ended December 31, 2008. In conjunction with the Refinancing (see Note 26), which included the repayment of term loan B, the Company terminated these swaps and paid $3,188 to various counterparties. The payments were recognized as interest expense in the consolidated statements of operations for the fiscal year ended December 31, 2009.

(14) Restructuring Liabilities

November 2005 Restructuring Program

On November 7, 2005, the Company announced a restructuring program ("November 2005 Plan"), which included redesigning the Company's organizational structure, the closure of a number of manufacturing and other facilities, outsourcing the majority of information technology support worldwide, outsourcing certain financial services in Western Europe and a workforce reduction of approximately 15%. As of December 31, 2010, the Company has terminated 2,823 employees in the execution of this plan. Our November 2005 Plan activity is expected to continue through fiscal 2011, with the associated reserves expected to be substantially paid out through our restricted cash balance.

The activities associated with the November 2005 Plan for each of the fiscal years ended December 31, 2010, December 31, 2009 and December 31, 2008 were as follows:

	Employee-Related	Other	Total
Liability balances as of December 28, 2007	$ 44,068	$2,158	$ 46,226
Liability recorded as restructuring expense [1]	57,484	(193)	57,291
Cash paid [2]	(42,817)	(630)	(43,447)
Liability balances as of December 31, 2008	58,735	1,335	60,070
Liability recorded as restructuring expense	32,663	251	32,914
Cash paid [2]	(44,499)	(117)	(44,616)
Liability balances as of December 31, 2009	46,899	1,469	48,368
Net adjustments to restructuring liability	(2,209)	(68)	(2,277)
Cash paid [2]	(22,766)	(220)	(22,986)
Liability balances as of December 31, 2010	$ 21,924	$1,181	$ 23,105

1 Liability recorded as restructuring expense includes certain reclassification between Employee-Related and Other not affecting the total.

2 Cash paid includes the effects of foreign exchange and certain reclassifications between Employee-Related and Other not affecting the total.

In connection with the November 2005 Plan, the Company recorded long-lived asset impairment charges of $4,947, $802 and $6,347 in the fiscal years ended December 31, 2010, December 31, 2009 and December 31, 2008, respectively. The impairment charges are included in selling, general and administrative costs. Any additional impairment charges related to this plan are not anticipated to be significant.

Total plan-to-date expenses, net, associated with the November 2005 Plan, by reporting segment, are summarized as follows:

	Total Plan To-Date	Fiscal Year Ended December 31, 2010	December 31, 2009	December 31, 2008
Europe	$149,034	$ (851)	$25,740	$32,196
Americas	41,132	(871)	(750)	13,459
Greater Asia Pacific	18,750	101	5,226	10,388
Other	25,473	(656)	2,698	1,248
	$234,389	$(2,277)	$32,914	$57,291

In December 2009 and December 2008, the Company transferred $27,404 and $49,463 of cash, respectively, to irrevocable trusts for the settlement of certain obligations associated with the November 2005 Restructuring Plan. The Company expects to utilize the majority of the remaining balance of these funds, $20,407 at December 31, 2010, classified as restricted cash in its consolidated balance sheet, by the end of fiscal 2011.

(15) Exit or Disposal Activities

In June 2010, the Company announced plans to transition certain accounting functions in its corporate center and certain Americas locations to a third party provider. The Company expects to execute the plan between July 2010 and December 2011. The Company also affirmed its decision to cease manufacturing operations at Waxdale, its primary U.S. manufacturing facility, and to move some production to other locations in North America, as well as pursue contract manufacturing for a portion of its product lines. The timeline to transition out of Waxdale is not certain, but is expected to be largely completed during the first semester of fiscal 2012. In connection with these plans, the Company recognized liabilities of $5,972 for the involuntary termination of employees during the fiscal year ended December 31, 2010, most of which are associated with the Americas operating segment. In addition, the company recorded $3,035 of period costs associated with these activities. These expenses are included in selling, general and administrative expenses in the consolidated statements of operations.

(16) Other (Income) Expense, Net

The components of other (income) expense, net in the consolidated statements of operations, include the following:

	Fiscal Year Ended		
	December 31, 2010	December 31, 2009	December 31, 2008
Foreign currency (gain) loss	$ 3,898	$ (18,835)	$ 18,127
Forward contracts (gain) loss	(2,523)	14,219	(12,521)
Hyperinflationary foreigncurrency (gain) loss	3,962	—	—
Other, net	(2,605)	(83)	65
	$ 2,732	$ (4,699)	$ 5,671

(17) Income Taxes

The provision for income taxes consists of an amount for taxes currently payable, an amount for tax consequences deferred to future periods and adjustments related to our consideration of uncertain tax positions, including interest and penalties. The Company records deferred income tax assets and liabilities reflecting future tax consequences attributable to tax net operating loss carryforwards, tax credit carryforwards and differences between the financial statement carrying value of assets and liabilities and the tax bases of those assets and liabilities. Deferred taxes are computed using enacted tax rates expected to apply in the year in which the differences are expected to affect taxable income. The effect on deferred income tax assets and liabilities of a change in tax rate is recognized in earnings in the period that includes the enactment date.

Income Tax Expense

The provision for income taxes for continuing operations was comprised of:

	Fiscal Year Ended		
	December 31, 2010	December 31, 2009	December 31, 2008
Current tax expense (benefit):			
Federal	$ 6,568	$ 10,120	$ 6,822
State	336	(538)	29
Foreign	53,181	39,535	30,631
Deferred tax expense (benefit):			
Federal	(1,749)	(12,156)	(4,513)
Foreign	7,597	25,208	18,329
	$ 65,933	$ 62,169	$ 51,298

A reconciliation of the difference between the statutory U.S. federal income tax expense (benefit) to the Company's income tax expense for continuing operations is as follows:

	Fiscal Year Ended		
	December 31, 2010	December 31, 2009	December 31, 2008
Statutory U.S. federal income tax expense (benefit)	$ 38,159	$ 5,431	$ (6,523)
State income tax expense (benefit), net of federal taxes	152	191	(588)
Effect of foreign operations	(6,116)	1,363	(587)
Nondeductible goodwill	—	—	4,990
Nondeductible expenses	9,023	10,562	3,979
Increase in valuation allowance	26,076	29,664	34,331
Increase (decrease) in foreign earnings deemed remitted	(3,340)	7,853	3,750
Increase in unrecognized tax benefits	2,472	8,977	11,884
Other	(493)	(1,872)	62
Income tax expense	$ 65,933	$ 62,169	$ 51,298

Deferred Income Tax Assets and Liabilities

The differences between the tax bases of assets and liabilities and their financial statement carrying value that give rise to significant portions of deferred income tax assets or liabilities include the following:

	Fiscal Year Ended	
	December 31, 2010	December 31, 2009
Deferred tax assets:		
Employee benefits	$ 72,875	$ 87,918
Inventories	6,436	5,812
Accrued expenses	55,371	49,000
Net operating loss carryforwards	161,517	166,407
Other, net	226	6,720
Tangible assets	1,572	—
Foreign tax credits	166,256	144,328
Senior discounted notes	5,039	884
Valuation allowance	(382,416)	(350,217)
	$ 86,876	$ 110,852
Deferred tax liabilities:		
Tangible assets	$ —	$ 2,293
Intangible assets	121,405	117,023
Foreign earnings deemed remitted	55,297	62,560
	$ 176,702	$ 181,876

The valuation allowance at December 31, 2010 and December 31, 2009 was determined in accordance with the provisions of ASC Topic 740, *Income Taxes*. Based on the continued tax losses in the U.S. and certain foreign jurisdictions, the Company continued to conclude that it was not more likely than not that certain deferred tax assets would be fully realized. Accordingly, the Company recorded a charge for an additional U.S. valuation allowance of $36,165, $20,834 and $22,685 for continuing operations for the years ended December 31, 2010, 2009 and 2008, respectively, and the Company recorded a charge for additional valuation allowance for foreign subsidiaries of $8,830 and $11,647 for continuing operations for the fiscal years ended December 31, 2009 and 2008, respectively. Based on improved profitability in certain foreign jurisdictions in 2010, the Company concluded that it was more likely than not that certain deferred tax assets, which previously were offset by a valuation allowance, would be realized. Accordingly, the Company recorded income tax benefit for a net reduction in valuation allowance for foreign subsidiaries of $10,090 for continuing operations for the fiscal year ended December 31, 2010. The Company does not believe the valuation allowances recorded in fiscal years 2005 through 2010 are indicative of future cash tax expenditures.

As of December 31, 2010, the Company has foreign net operating loss carryforwards, as per the tax returns, totaling $306,650 that expire as follows: fiscal 2011 – $7,733; fiscal 2012 – $5,332; fiscal 2013 – $37,028; fiscal 2014 – $4,300; fiscal 2015 – $23,746; fiscal 2016 and beyond – $95,666; and no expiration – $132,845.

As of December 31, 2010, the Company has foreign tax credit carryforwards, as per the tax returns, totaling $121,844 that expire as follows: fiscal 2011 – $270; fiscal 2012 – $4,918; fiscal 2013 – $8,290; fiscal 2014 – $13,352; fiscal 2015 – $10,394; fiscal 2016 and beyond – $77,365; and no expiration – $7,255. The Company also has U.S. federal and state net operating loss carryforwards, as per the tax returns, totaling $182,338 and $786,539, respectively. The federal net operating loss carryforward expires as follows: 2025 – $44,136; 2027 – $52,407; 2028 – $22,913; 2029 – $43,356, and 2030 – $19,526. The state net operating loss carryforwards expire in various amounts over one to twenty years. In addition, the Company has U.S. charitable contribution carryforwards of $7,138 that expire in various amounts over one to five years. Valuation allowances of $382,416 and $350,217 as of December 31, 2010 and December 31, 2009, respectively, have been provided for deferred income tax benefits related to the foreign, federal and state loss carryforwards, tax credits, and other net deferred tax assets where it is not more likely than not that amounts would be fully realized.

As of December 31, 2010, the Company had gross unrecognized tax benefits for uncertain tax positions of $125,678, including positions impacting the timing of tax benefits, of which $44,632 if recognized, would favorably affect the effective income tax rate in future periods (after considering the impact of valuation allowances). The Company recognizes interest and penalties related to the underpayment of income taxes as a component of income tax expense. As of the end of the 2010 fiscal year, the Company had accrued interest and penalties of $19,262 related to unrecognized tax benefits, of which $1,946 was recorded as income tax expense during the fiscal year ended December 31, 2010.

The Company and its subsidiaries are subject to U.S. federal income tax as well as income tax of multiple state and foreign jurisdictions. In the normal course of business, the Company is subject to examination by taxing authorities throughout the world. The Company has substantially completed tax audits for all U.S. federal income tax matters for years through 2006, although the U.S. income tax authorities could challenge the U.S. income tax losses carried forward to subsequent periods. The Company has generally concluded all other income tax matters globally for years through 2004.

The Company is currently under audit by various state and foreign tax authorities. The statute of limitations for tax assessments will expire in many jurisdictions during 2011. Based on the anticipated outcomes of these tax audits and the potential lapse of the statute of limitations in these jurisdictions, it is reasonably possible there could be a reduction of $19,596 in unrecognized tax benefits during 2011.

The following table represents a tabular reconciliation of total gross unrecognized tax benefits for the fiscal years ended December 31, 2009 and December 31, 2010:

	Fiscal Year Ended	
	December 31, 2010	December 31, 2009
Unrecognized tax benefits—beginning of year	$ 135,764	$ 121,707
Gross increases—tax positions in prior period	1,872	2,525
Gross decreases—tax positions in prior period	(4,888)	(1,763)
Gross increases—current-period tax positions	9,352	14,071
Settlements	(339)	—
Lapse of statute of limitations	(13,528)	(3,383)
Currency translation adjustment	(2,555)	2,607
Unrecognized tax benefits—end of year	$ 125,678	$ 135,764

Other Income Tax Information

Pretax income from foreign continuing operations was $205,940, $150,575 and $89,479, for the fiscal years ended December 31, 2010, December 31, 2009 and December 31, 2008, respectively. Federal and state income taxes are provided on foreign subsidiary income distributed to or taxable in the U.S. during the year. As of December 31, 2010, federal and state taxes have not been provided for the repatriation of unremitted earnings of certain foreign subsidiaries, which are considered to be permanently reinvested. A determination of the unrecognized deferred tax liability associated with permanently reinvested foreign subsidiary earnings is not practicable.

(18) Defined Benefit Plans

Employees around the world participate in various local pension and other defined benefit plans. These plans provide benefits that are generally based on years of credited service and a percentage of the employee's eligible compensation, either earned throughout that service or during the final years of employment. Some smaller plans also provide long-service payments.

Global Defined Benefit Pension Plans

The following table provides a summary of the changes in the Company's plans' benefit obligations, assets and funded status during fiscal years 2010 and 2009, and the amounts recognized in the consolidated balance sheets, in respect of those countries where the pension liabilities exceeded a certain threshold (approximately $5,000).

	Fiscal Year Ended					
	December 31, 2010			December 31, 2009		
	North America Plans	Japan Plans	Rest of World Plans	North America Plans	Japan Plans	Rest of World Plans
Change in benefit obligations:						
Benefit obligation at beginning of period	$198,243	$ 72,686	$491,052	$198,939	$ 78,445	$ 446,443
Service cost	2,026	263	10,172	1,589	1,288	11,266
Interest cost	10,515	1,438	21,758	11,797	1,278	21,712
Plan participant contributions	422	—	3,154	356	—	3,674
Actuarial (gain) loss	7,752	1,150	(1,193)	8,555	1,165	26,624
Benefits paid	(22,018)	(5,511)	(15,717)	(18,740)	(7,653)	(16,199)
(Gain) loss due to exchange rate movements	2,816	9,698	(7,065)	6,793	(1,710)	20,694
Plan amendments	—	—	—	(11,046)	(45)	(1,668)
Curtailments, settlements andspecial termination benefits	—	(3)	(7,792)	—	(82)	(21,494)
Benefit obligation at end of period	$199,756	$ 79,721	$494,369	$198,243	$ 72,686	$ 491,052
Change in plan assets:						
Fair value of plan assets at beginning of period	$175,026	$ 27,209	$397,708	$157,978	$ 28,745	$ 319,232
Actual return on plan assets	23,597	316	35,821	27,354	1,267	36,175
Employer contribution	4,701	5,360	27,726	2,559	5,470	36,590
Plan participant contributions	422	—	3,154	356	—	3,674
Benefits paid	(22,018)	(5,511)	(15,717)	(18,740)	(7,653)	(16,199)
Gain (loss) due to exchange rate movements	2,218	3,718	(4,285)	5,519	(620)	18,236
Fair value of plan assets at end of period	$183,946	$ 31,092	$444,407	$175,026	$ 27,209	$ 397,708
Net amount recognized:						
Funded status	$ (15,810)	$(48,629)	$ (49,962)	$ (23,216)	$(45,477)	$ (93,344)
Net amount recognized in consolidated balance sheets consists of:						
Noncurrent asset	$ 730	$ —	$ 39,557	$ —	$ —	$ 21,832
Current liability	(295)	—	(2,699)	(420)	—	(2,925)
Noncurrent liability	(16,245)	(48,629)	(86,820)	(22,796)	(45,477)	(112,251)
Net amount recognized	$ (15,810)	$(48,629)	$ (49,962)	$ (23,216)	$(45,477)	$ (93,344)
Amounts recognized in accumulated other comprehensive income consist of:						
Net actuarial (gain) loss	$ 60,052	$ 32,054	$ 46,047	$ 71,081	$ 29,331	$ 44,869
Prior service (credit) cost	(10,164)	(38)	(20,840)	(11,046)	(37)	(10,901)
Transition obligation	—	141	757	—	159	1,261
Total	$ 49,888	$ 32,157	$ 25,964	$ 60,035	$ 29,453	$ 35,229

Weighted average assumptions used to determine the benefit obligations at end of year were as follows:

	Fiscal Year Ended					
	December 31, 2010			December 31, 2009		
	North America Plans	Japan Plans	Rest of World Plans	North America Plans	Japan Plans	Rest of World Plans
Weighted-average discount rate	5.44%	1.68%	4.67%	5.75%	1.96%	4.72%
Weighted-average rate of in crease in future compensation levels	N/A	Scale	2.60%	4.24%	Scale	2.73%
Weighted-average inflation rate	N/A	0.50%	2.20%	2.50%	0.50%	2.19%

Adoption of ASC Topic 715

The Company adopted measurement date provisions of ASC Topic 715 at the beginning of fiscal year 2008, resulting in an increase in pension liabilities of $4,534, of which, $973 was recorded as part of retained earnings and $3,561 was recorded as part of accumulated other comprehensive income.

Curtailments, Settlements and Special Termination Benefits

During fiscal 2010, the Company recognized a net curtailment and settlement gain of $11,442 related primarily to the announced freezing of its pension plan in The Netherlands. The company recorded this gain in selling, general, and administrative expenses in the consolidated statements of operations.

During fiscal 2010, the Company recognized a settlement of defined benefits to former U.S. employees resulting in a related loss of $5,771. The Company recorded $2,858 of this loss as a component of discontinued operations, and $2,913 in selling, general and administrative expenses in the consolidated statements of operations.

During fiscal 2010, the Company recognized a curtailment and settlement of defined benefits to former Japan employees, resulting in a related loss of $754. The Company recorded this loss in selling, general and administrative expenses in the consolidated statements of operations.

During fiscal 2010, in connection with restructuring activities and changes in defined benefit plans in Austria, France, Ireland, Italy, Switzerland and Turkey, the Company recognized net curtailment and settlement gains of $997. The Company recorded the gain in selling, general and administrative expenses in the consolidated statements of operations.

During fiscal year 2009, the Company recognized a settlement of defined benefits to former U.S. employees resulting in a related loss of $4,236. The Company recorded $1,863 of this loss as a component of discontinued operations, and $2,373 in selling, general and administrative expenses in the consolidated statements of operations.

During fiscal year 2009, in association with restructuring activities, the Company recognized special termination losses of $1,020 related to SERA pension benefits in the United Kingdom. The Company recorded this loss in selling, general and administrative expenses in the consolidated statements of operations.

During fiscal year 2009, the Company recognized a curtailment and settlement of defined benefits to former Japan employees, resulting in a related loss of $1,825. The Company recorded this loss in selling, general and administrative expenses in the consolidated statements of operations.

During fiscal year 2009, in connection with restructuring activities and changes in defined benefit plans in Austria, Germany, Ireland, Italy and Turkey, the Company recognized net curtailment and settlement gains of $4,199. The Company recorded the gain in selling, general and administrative expenses in the consolidated statements of operations.

The projected benefit obligation and fair value of plan assets for pension plans with a projected benefit obligation in excess of plan assets at December 31, 2010 were as follows:

	December 31, 2010			December 31, 2009		
	North America Plans	Japan Plans	Rest of World Plans	North America Plans	Japan Plans	Rest of World Plans
Projected benefit obligation	$64,851	$79,721	$360,488	$198,243	$72,686	$376,723
Fair value of plan assets	48,310	31,092	270,969	175,026	27,209	261,547

The projected benefit obligation, accumulated benefit obligation, and fair value of plan assets for pension plans with an accumulated benefit obligation in excess of plan assets at December 31, 2010 and December 31, 2009 were as follows:

	December 31, 2010			December 31, 2009		
	North America Plans	Japan Plans	Rest of World Plans	North America Plans	Japan Plans	Rest of World Plans
Projected benefit obligation	$64,851	$79,721	$257,997	$198,243	$72,686	$282,854
Accumulated benefit obligation	59,016	79,167	239,055	189,201	72,576	263,126
Fair value of plan assets	48,310	31,092	169,505	175,026	27,209	180,400

The components of net periodic benefit cost for the fiscal years ended December 31, 2010, December 31, 2009 and December 31, 2008, respectively, were as follows:

	Fiscal Year Ended								
	December 31, 2010			December 31, 2009			December 28, 2008		
	North America Plans	Japan Plans	Rest of World Plans	North America Plans	Japan Plans	Rest of World Plans	North America Plans	Japan Plans	Rest of World Plans
Service cost	$ 2,027	$ 263	$ 10,172	$ 1,589	$1,288	$ 11,266	$ 9,378	$ 1,240	$ 14,798
Interest cost	10,515	1,438	21,758	11,797	1,278	21,712	13,743	1,457	24,237
Expected return on plan assets	(12,918)	(984)	(23,606)	(12,271)	(915)	(21,243)	(16,326)	(1,035)	(26,056)
Amortization of net loss	3,081	2,248	2,687	3,447	2,412	2,962	2,795	1,878	(1,034)
Amortization of transition obligation	—	31	169	—	31	202	—	30	213
Amortization of prior service (credit) cost	(882)	(3)	(2,434)	—	5	(962)	(14)	5	(967)
Curtailments, settlements and special termination benefits	5,771	754	(12,439)	4,236	1,825	(3,179)	481	3,010	648
Net periodic pension (credit) cost	$ 7,594	$3,747	$ (3,693)	$ 8,798	$5,924	$ 10,758	$ 10,057	$ 6,585	$ 11,839

Weighted average assumptions used to determine net periodic costs were as follows:

	Fiscal Year Ended								
	December 31, 2010			December 31, 2009			December 31, 2008		
	North America Plans	Japan Plans	Rest of World Plans	North America Plans	Japan Plans	Rest of World Plans	North America Plans	Japan Plans	Rest of World Plans
Weighted-average discount rate	5.75%	1.96%	4.72%	6.18%	1.75%	4.76%	6.01%	2.05%	4.95%
Weighted-average rate of increase in future compensation levels	4.24%	scale	2.73%	4.32%	N/A	2.54%	4.25%	2.05%	2.84%
Weighted-average expected long-term rate of return on plan assets	7.83%	3.36%	6.16%	7.90%	3.19%	6.39%	7.90%	3.62%	6.45%

The amortization of any prior service cost is determined using a straight-line amortization of the cost over the average remaining service period of employees expected to receive benefits under the plan.

The amounts in accumulated other comprehensive income as of December 31, 2010, that are expected to be recognized as components of net periodic benefit cost during the next fiscal year, are as follows:

	North America Plans	Japan Plans	Rest of World Plans
Actuarial loss	$2,708	$2,036	$ 1,058
Prior service (credit)	(882)	(3)	(1,673)
Transition obligation	—	33	150

Expected pension benefit disbursements for each of the next five years and the five succeeding years are as follows:

Year	North America Plans	Japan Plans	Rest of World Plans
2011	$17,635	$ 5,271	$ 16,683
2012	11,314	4,881	18,446
2013	11,930	5,275	21,662
2014	12,441	4,260	18,184
2015	12,624	5,254	19,765
Next five years thereafter	69,175	24,362	108,498

Defined Benefit Pension Plan Investments

Overall Investment Strategy

The Company's overall investment strategy is to hold 1-2% of plan assets in cash to maintain liquidity to meet near-term benefit payments and invest the remaining 98% in a wide diversification of asset types, fund strategies and fund managers. The target allocations for invested plan assets are 40% equity securities, 50% fixed income securities, and 10% real estate/other types of investments. Equity securities are diversified across investment manager styles and objectives (i.e. value, growth) including investments in companies with both small to large capitalizations primarily located in the United States, Canada and Europe. Fixed income securities include readily marketable government issues and agency obligations, marketable corporate bonds and mortgage, asset, and government backed securities and guaranteed insurance contracts of companies from diversified industries primarily located in the United States, Canada, Japan and Europe. Other types of investments include investments in hedge funds, joint ventures and swaps that follow several different strategies.

Fair Value Measurements

Effective for fiscal years ending after December 15, 2009, the Company adopted ASC Topic 715-20, *Employer's Disclosures about Postretirement Benefit Plan Assets*. ASC Topic 715-20 establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under ASC Topic 715-20 are described as follows:

Level 1—inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the plan has the ability to access.

Level 2—inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means

Level 3—inputs to the valuation methodology are unobservable and significant to the fair value measurement

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Description of the valuation methods used for assets measured at fair value

Corporate bonds, government bonds and municipal bonds are valued using a bid evaluation, an estimated price at which a dealer would pay for a security (typically in an institutional round lot). These evaluations are based on quoted prices, if available, or proprietary models which pricing vendors establish for these purposes.

Guaranteed investment contracts and mortgage, asset or government backed securities are valued using a bid evaluation or a mid evaluation. A bid evaluation is an estimated price at which a dealer would pay for a security (typically in an institutional round lot). A mid evaluation is the average of the estimated price at which a dealer would sell a security and the estimated price at which a dealer would pay for a security (typically in an institutional round lot). Often times these evaluations are based on proprietary models which pricing vendors establish for these purposes.

Equities are valued at the closing price reported on the active market on which the individual securities are traded.

Hedge funds and joint venture interests are valued at the net asset value using information from investment managers.

Swaps are valued using a mid evaluation, or the average of the estimated price at which a dealer would sell a security and the estimated price at which a dealer would pay for a security (typically in an institutional round lot). Often times these evaluations are based on proprietary models which pricing vendors establish for these purposes.

Real estate is valued at the net asset value using information from investment managers.

Real estate investment trusts are valued at the closing price reported on the active market on which the investments are traded.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the investments of the pension assets at fair value, as of December 31, 2010:

	North America				Japan				Rest of the World			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Fixed Income												
Government & Municipal Bonds	$ —	$ 33,130	$ —	$ 33,130	$ —	$ 3,065	$ —	$ 3,065	$ —	$ 53,440	$ —	$ 53,440
US Corporate Bonds	—	22,818	—	22,818	—	93	—	93	—	3,693	—	3,693
Canadian Corporate Bonds	—	17,082	—	17,082	—	—	—	—	—	80	—	80
Eurozone Corporate Bonds	—	2,865	—	2,865	—	—	—	—	—	72,309	—	72,309
UK Corporate Bonds	—	1,912	—	1,912	—	—	—	—	—	24,407	—	24,407
Swiss Corporate Bonds	—	—	—	—	—	—	—	—	—	32,298	—	32,298
Other Corporate Bonds	—	2,731	—	2,731	—	138	—	138	—	17,376	—	17,376
GICs / Mortgage, Asset or Govt Backed Securities	—	1,483	—	1,483	—	17,929	—	17,929	—	603	—	603
Equities												
US Equities	26,837	14,212	—	41,049	2,272	—	—	2,272	53,576	—	—	53,576
Canadian Equities	198	22,301	—	22,499	246	—	—	246	1,723	—	—	1,723
Eurozone Equities	761	—	—	761	708	—	—	708	28,293	—	—	28,293
UK Equities	676	—	—	676	460	—	—	460	15,684	—	—	15,684
Swiss Equities	370	—	—	370	186	—	—	186	18,472	—	—	18,472
Other Equities	16,607	7,817	—	24,424	5,032	—	—	5,032	48,918	—	—	48,918
Other												
Hedge Funds/Joint Venture Interests/Swaps	—	—	516	516	—	—	—	—	1,122	7,408	15,287	23,817
Real Estate												
Real Estate Interests	—	—	4,795	4,795	—	—	—	—	—	519	16,804	17,323
Real Estate Investment Trusts	—	—	—	—	—	61	—	61	20,858	3,773	69	24,700
Cash												
Cash/Cash Equivalents	6,835	—	—	6,835	902	—	—	902	7,695	—	—	7,695
Total Investments	$52,284	$126,351	$ 5,311	$183,946	$ 9,806	$21,286	$ —	$31,092	$196,341	$215,906	$32,160	$444,407

The following table sets forth a summary of changes in the fair value of the Level 3 pension assets for the year ending December 31, 2010:

	North America				Japan				Rest of World			
	Corporate Bonds	Hedge / Joint Venture	Real Estate / Other	Total	Corporate Bonds	Hedge / Joint Venture	Real Estate /Other	Total	Corporate Bonds	Hedge/ Joint Venture	Real Estate/Other	Total
Balance, beginning of year	$ 655	$ 650	$ 5,853	$ 7,158	$ —	$ —	$ —	$—	$ —	$13,554	$ 17,177	$30,731
Gains/(Losses) due to exchange rate movements	—	—	—	—	—	—	—	—	—	(561)	(1,090)	(1,651)
Gains/(Losses) on assets sold during the year	—	—	—	—	—	—	—	—	—	—	—	—
Gains/(Losses) on assets still held at end of year	—	(70)	1,488	1,418	—	—	—	—	—	2,040	105	2,145
Purchases, sales, issuance, and settlements	—	(64)	(2,600)	(2,664)	—	—	—	—	—	177	657	834
Transfers in and/or out of Level 3	(655)	—	54	(601)	—	—	—	—	—	77	24	101
Balance, end of year	$ —	$ 516	$ 4,795	$ 5,311	$ —	$ —	$ —	$—	$ —	$15,287	$ 16,873	$32,160

The following table sets forth by level, within the fair value hierarchy, the investments of the pension assets at fair value, as of December 31, 2009:

	North America				Japan				Rest of the World			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Fixed Income												
Government & Municipal Bonds	$ —	$ 24,229	$ —	$ 24,229	$ —	$ 3,215	$ —	$ 3,215	$ —	$ 99,009	$ —	$ 99,009
US Corporate Bonds	—	23,554	—	23,554	—	—	—	—	—	6,381	—	6,381
Canadian Corporate Bonds	—	14,690	—	14,690	—	—	—	—	—	256	—	256
Eurozone Corporate Bonds	—	2,646	655	3,301	—	—	—	—	—	33,503	—	33,503
UK Corporate Bonds	—	2,624	—	2,624	—	—	—	—	—	8,351	—	8,351
Swiss Corporate Bonds	—	—	—	—	—	—	—	—	—	27,425	—	27,425
Other Corporate Bonds	—	2,443	—	2,443	—	317	—	317	—	3,854	—	3,854
GICs / Mortgage, Asset or Govt Backed Securities	—	6,549	—	6,549	—	14,117	—	14,117	—	501	—	501
Equities												
US Equities	26,771	19,116	—	45,887	2,118	—	—	2,118	52,901	—	—	52,901
Canadian Equities	491	14,616	—	15,107	211	—	—	211	2,532	—	—	2,532
Eurozone Equities	663	—	—	663	772	—	—	772	26,539	—	—	26,539
UK Equities	585	—	—	585	438	—	—	438	20,912	—	—	20,912
Swiss Equities	457	—	—	457	158	—	—	158	17,775	—	—	17,775
Other Equities	17,170	6,594	—	23,764	5,399	—	—	5,399	31,387	—	—	31,387
Other												
Hedge Funds/Joint Venture Interests/Swaps	—	609	650	1,259	—	—	—	—	57	7,459	13,554	21,070
Real Estate				—				—				—
Real Estate Interests	—	—	5,853	5,853	—	—	—	—	—	436	17,177	17,613
Real Estate Investment Trusts	—	—	—	—	—	64	—	64	17,687	3,734	—	21,421
Cash				—				—				—
Cash/Cash Equivalents	4,057	4	—	4,061	400	—	—	400	6,278	—	—	6,278
Total Investments	$50,194	$117,674	$7,158	$175,026	$9,496	$17,713	$ —	$27,209	$176,068	$190,909	$30,731	$397,708

The following table sets forth a summary of changes in the fair value of the Level 3 pension assets for the year ending December 31, 2009:

	North America				Japan				Rest of World			
	Corporate Bonds	Hedge /Joint Venture	Real Estate /Other	Total	Corporate Bonds	Hedge /Joint Venture	Real Estate /Other	Total	Corporate Bonds	Hedge / Joint Venture	Real Estate /Other	Total
Balance, beginning of year	$ 241	$ 816	$ 3,151	$4,208	$ —	$ —	$ —	$—	$ —	$ 969	$ 21,056	$22,025
Gains/(Losses) on assets sold	—	—	—	—	—	—	—	—	—	—	—	—
Gains/(Losses) on assets stillheld at end of year	16	(146)	628	498	—	—	—	—	—	(573)	(4,306)	(4,879)
Purchases, sales, issuance, and settlements	639	(20)	2,074	2,693	—	—	—	—	—	13,158	427	13,585
Transfers in and/or out of Level	(241)	—	—	(241)	—	—	—	—	—	—	—	—
Balance, end of year	$ 655	$ 650	$ 5,853	$7,158	$ —	$ —	$ —	$—	$ —	$13,554	$ 17,177	$30,731

Long-Term Rate of Return Assumptions

The expected long-term rate of return assumptions were chosen from the range of likely results of compound average annual returns over a long-term time horizon. Historical returns and volatilities are modeled to determine the final asset allocations that best meet the objectives of asset/liability studies. These asset allocations, when viewed over a long-term historical view of the capital markets, yield an expected return on assets as follows:

North America	Expected Return
Canada	7.25%
United States	7.50%
Japan	
Japan	3.41%
Rest of World	
Austria	7.86%
Belgium	6.25%
Germany	5.25%
Ireland	7.00%
Netherlands	6.25%
Switzerland	5.00%
United Kingdom	7.39%

(19) Other Post-Employment Benefits

In addition to providing pension benefits, the Company provides for a portion of healthcare, dental, vision and life insurance benefits for certain retired employees, primarily at its North American segment. Covered employees retiring from the Company on or after attaining age 50 and who have rendered at least ten years of service to the Company are entitled to post-retirement healthcare, dental and life insurance benefits. These benefits are subject to deductibles, co-payment provisions and other limitations. Contributions made by the Company, net of Medicare Part D subsidies received in the U.S., are reported below as benefits paid. The Company may change or terminate the benefits at any time. The Company has elected to amortize the transition obligation over a 20-year period. The status of these plans, including a reconciliation of benefit obligations, a reconciliation of plan assets and the funded status of the plans follows:

	Fiscal Year Ended	
	December 31, 2010	December 31, 2009
Change in benefit obligations:		
Benefit obligation at beginning of period	$ 80,421	$ 82,881
Service cost	1,306	1,723
Interest cost	4,632	5,051
Plan participants' contributions	1,371	1,979
Actuarial (gain)	(2,140)	(5,044)
Benefits paid	(5,640)	(6,486)
Loss due to exchange rate movements	36	317
Benefit obligation at end of period	$ 79,986	$ 80,421
Change in plan assets:		
Fair value of plan assets at beginning of period	$ —	$ —
Employer contribution	4,269	4,507
Plan participants' contribution	1,371	1,979
Benefits paid	(5,640)	(6,486)
Fair value of plan assets at end of period	$ —	$ —
Net amount recognized:		
Funded status	$ (79,986)	$ (80,421)
Net amount recognized in consolidated balance sheets consists of:		
Current liability	$ (4,998)	$ (4,818)
Noncurrent liability	(74,988)	(75,603)
Net amount recognized	$ (79,986)	$ (80,421)
Amounts recognized in accumulated other comprehensive income consist of:		
Net actuarial loss	$ 2,681	$ 4,783
Prior service credit	(1,938)	(2,128)
Total	$ 743	$ 2,655

The accumulated post-retirement benefit obligations were determined using a weighted-average discount rate of 5.43% and 5.84% at December 31, 2010 and December 31, 2009, respectively. The components of net periodic benefit cost for the fiscal years ended December 31, 2010, December 31, 2009 and December 31, 2008 were as follows:

	Fiscal Year Ended December 31, 2010	Fiscal Year Ended December 31, 2009	Fiscal Year Ended December 31, 2008
Service cost	$ 1,306	$ 1,723	$ 1,940
Interest cost	4,632	5,051	5,230
Amortization of net loss	(89)	76	189
Amortization of prior service credit	(204)	(201)	(185)
Curtailments, settlements and special termination benefits	—	—	150
Net periodic benefit cost	$ 5,645	$ 6,649	$ 7,324

The amounts in accumulated other comprehensive income as of December 31, 2010, that are expected to be recognized as components of net periodic benefit cost during the next fiscal year, are as follows:

Actuarial (gain) loss	$ (67)
Prior service (credit) cost	(205)
Transition (asset) obligation	—

Adoption of ASC Topic 715

The Company adopted the measurement date provisions of ASC Topic 715 at the beginning of fiscal year 2008, resulting in a decrease in post-employment liabilities of $444, of which, $1,173 decreased retained earnings and $1,617 increased accumulated other comprehensive income.

Healthcare Cost Trend Rates

For the fiscal year ended December 31, 2010, healthcare cost trend rates were assumed to be 4% for international plans, and for U.S. plans 8% for 2010 then downgrading to 5% by 2016. In Canada, the Company used 9.0% in 2010, downgraded to 5% by 2018. For the fiscal year ended December 31, 2009, healthcare cost trend rates were assumed to be 4% for international plans, and for U.S. plans 8% for 2009, then downgrading to 5% in 2013. For Canada, we assumed 9.5% in 2009 and downgraded to 5% by 2018. The assumed healthcare cost trend rate has a significant effect on the amounts reported for the healthcare plans. A one percentage point change on assumed healthcare cost trend rates would have the following effect for the fiscal year ended December 31, 2010:

	One Percentage Point Increase	One Percentage Point Decrease
Effect on total of service and interest cost components	$ 478	$ (433)
Effect on post-retirement benefit obligation	6,211	(5,615)

The amortization of any prior service cost is determined using a straight-line amortization of the cost over the average remaining service period of employees expected to receive benefits under the plan.

Expected post-retirement benefits (net of Medicare Part D subsidies) for each of the next five years and succeeding five years are as follows:

Year	
2011	$ 4,998
2012	5,114
2013	5,245
2014	5,540
2015	5,426
Next five years thereafter	28,625

(20) Other Employee Benefit Plans

Discretionary Profit-Sharing Plan

The Company has a discretionary profit-sharing plan covering certain employees. Under the plan, the Company expensed $6,984, $6,611 and $5,117 for the fiscal years ended December 31, 2010, December 31, 2009 and December 31, 2008, respectively.

Defined Contribution Plans

The Company has various defined contribution benefit plans which cover certain employees. The Company has expanded use of such plans in select countries where they have been used to supplement or replace defined benefit plans.

In the Company's U.S. operations, participants can make voluntary contributions in accordance with the provisions of their respective plan, which includes a 40l(k) tax-deferred option. The Company provides matching contributions for these plans. In addition, during fiscal year 2009, the Company began contributing a defined amount based on a percentage of each employee's earnings in the U.S. This defined contribution plan replaced the previous Cash Balance Pension Plan in the United States. In association with these plans, the Company expensed $10,643 and $10,703 during the fiscal years ended December 31, 2010 and December 31, 2009, respectively. The Company's other operating segments expensed $14,894 and $8,185 related to defined contribution plans during the fiscal years ended December 31, 2010 and December 31, 2009, respectively.

(21) Fair Value of Financial Instruments

The Company adopted ASC Topic 820 at the beginning of fiscal year 2008 for all financial assets and liabilities and nonfinancial assets and liabilities that are measured at least annually. To increase the consistency and comparability in fair value measurements and related disclosures, ASC Topic 820 establishes a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels:

Level 1 – Quoted prices in active markets that are accessible at the measurement date for identical assets and liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2 – Observable prices that are based on inputs not quoted in active markets, but corroborated by market data.

Level 3 – Unobservable inputs for which there is little or no market data available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

The following fair value hierarchy table presents information regarding assets and liabilities that are measured at fair value on a recurring basis:

	Balance at December 31, 2010	Level 1	Level 2	Level 3
Assets:				
Foreign currency forward contracts	$ 2,017	$ —	$2,017	$ —
Liabilities:				
Foreign currency forward contracts	$ 1,985	$ —	$1,985	$ —

The book values and estimated fair values of financial instruments that are not carried at fair value are reflected below:

	December 31, 2010		December 31, 2009	
	Book Value	Fair Value	Book Value	Fair Value
Short-term borrowings	$ 24,205	$ 24,205	$ 27,661	$ 27,661
Current portion of long term borrowings	9,498	9,569	9,811	9,885
Long-term borrowings	1,445,678	1,531,782	1,593,697	1,637,838

The fair values of long-term borrowings, including current portion, were estimated using quoted market prices and therefore represent Level 2 fair value. The book values of short-term borrowings approximate fair value due to the short-term nature of the lines of credit (see Note 12).

The fair values of the Company's financial instruments, including cash and cash equivalents, trade receivables and trade payables, approximate their respective book values.

(22) Stock-Based Compensation

Cash-Based Long-Term Incentive Program

The Company has a Long-Term Incentive Program ("LTIP") that provides for the accumulation of long-term cash awards based on three-year financial performance periods. The awards are earned through service. Compensation expense related to the services rendered was $5,393, $22,956 and $17,996 for the fiscal years ended December 31, 2010, December 31, 2009 and December 31, 2008, respectively. Payments to be made to employees under this long-term incentive program in 2011of $7,078 are recorded as a current obligation, while payments expected in future periods of $5,455 are recorded as a long-term obligation in the Company's December 31, 2010 consolidated balance sheet.

Adoption of a New Stock-Based Long-Term Incentive Plan

During fiscal year 2010, the Company approved a new Stock Incentive Plan ("SIP"), which replaced the LTIP for the officers and most senior managers of the Company. The SIP provides for the purchase or award of new class B common stock of the Company ("Shares") and options to purchase new Shares representing in the aggregate up to 12% of the outstanding common stock of the Company.

During fiscal year 2010, pursuant to the SIP, the Company completed an equity offering of 1,448,471 Shares at $10 per share, and issued 2,907,175 matching options to key employees to purchase Shares pursuant to a matching formula, at an exercise price of between $10 and $12.60 per share, with a contractual term of ten years. The matching options are subject to a vesting period of four years. The Company later sold an additional 3,333 Shares at $12.00 per share to an additional participant, with no matching options. The Company later repurchased 65,000 Shares at $12.60 per share primarily relating to two separated employees. In conjunction with these departures, 256,875 matching options were forfeited.

Pursuant to the SIP, participating employees were granted 2,982,002 Deferred Share Units ("DSUs" as defined in the SIP), and 7,879,381 matching options, both of which represent rights to Shares in the future subject to the satisfaction of certain service and performance conditions. The DSUs included 1,447,890 units related to the conversion of LTIP awards that had been earned but were not yet vested at adoption of the SIP. The conversion resulted in the reclassification of $14,479 from other liabilities to due from parent, as these awards are expected to be settled in shares rather than in cash. The DSUs have a grant-date fair value of $10 per share and the matching options have an exercise price of between $10 and $12.35 per share, with a contractual term of ten years. The DSUs and matching options are subject to vesting periods of one to two years and three to four years, respectively. As a result of employee departures, 283,895 DSUs and 800,845 matching options were forfeited.

The grant-date fair value of SIP matching option awards was estimated using the Black-Scholes option-pricing model and assumed the following:

	2010
Expected term of option *(in years)*	5.00
Expected volatility factor	34.51%
Expected dividend yield	0.00%
Risk-free interest rate	2.37%

In determining a five-year expected term, the Company used management's best estimate of the time period to potential liquidity activity. Expected volatility is based on the median monthly volatility of peer companies measured over a five-year period corresponding to the expected term of the option. The expected dividend yield is 0% based on the Company's expectation that no dividends will be paid during the expected term of the option. The risk-free interest rate is based on the U.S. five-year treasury constant maturity at the time of grant for the expected term of the option.

The following table summarizes the stock option activity during fiscal 2010:

	Number of Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at January 1, 2010	—	$ —		
Granted	10,786,556	10.02		
Exercised	—	—		
Forfeited or expired	(1,057,720)	10.00		
Outstanding at December 31, 2010	9,728,836	$ 10.02	9	$34,853
Exercisable at December 31, 2010	—	N/A	N/A	N/A

The weighted-average grant-date fair value of options granted during 2010 was $3.43.

The following table summarizes DSU activity during fiscal 2010:

	Number of DSUs	Weighted-Average Grant-Date Fair Value
Nonvested DSUs at January 1, 2010	—	$ —
Granted	2,982,002	10.00
Vested	—	—
Forfeited	(283,895)	10.00
Nonvested DSUs at December 31, 2010	2,698,107	$ 10.00

The Company recognizes the cost of employee services in exchange for awards of Holdings' equity instruments based on the grant-date fair value of those awards. That cost, based on the estimated number of awards that are expected to vest, is recognized on a straight-line basis over the period during which the employee is required to provide the service in exchange for the award. No compensation cost is recognized for awards for which the employees do not render the requisite service. The grant-date fair value of SIP matching options is estimated using the Black-Scholes valuation model. The grant-date fair value of SIP DSUs is equal to the purchase price of the equity offering pursuant to which the SIP DSUs were granted, as determined by the Board of Directors based on a third-party valuation.

As of December 31, 2010, there was $23,120 of unrecognized compensation cost related to DSUs and nonvested option compensation arrangements that is expected to be recognized as a charge to earnings over a weighted-average period of five years.

In conjunction with the approval of the SIP, the Company changed the LTIP from being measured on operational performance to stock appreciation for grants beginning in 2010. The new program provides for cash awards based on stock appreciation rights ("SARs") and includes the managers of the Company who participated in the LTIP but are not subject to the SIP. SARs have no effect on shares outstanding as appreciation awards are paid in cash and not in common stock. The Company accounts for SARs as liability awards in which the pro-rata portion of the awards' fair value is recognized as expense over the vesting period, which approximates three years.

Stock-based compensation cost charged to earnings for all equity compensation plans discussed above was $12,771 for the period ended December 31, 2010, and is recorded as part of selling, general and administrative expenses in the consolidated statements of operations. The total income tax benefit recognized in the consolidated statements of operations related to equity compensation plans was $1,565 for the period ended December 31, 2010.

During fiscal year 2010, the Company approved the Holdings' Director Stock Incentive Plan ("DIP"), which provides for the sale of Shares to certain non-employee directors of the Company, as well as the grant to these individuals of DSUs in lieu of receiving cash compensation for their services as a member of the Company's Board of Directors. Pursuant to the DIP, the Company completed an equity offering of 85,000 Shares at $10 per share, and 29,167 Shares at $12 per share, to certain directors. The Company later repurchased 10,000 Shares at $12.35 per Share following the departure of a director.

Total compensation costs associated with the DIP were $387 for the period ended December 31, 2010, which are recorded as part of selling, general and administrative expenses in the consolidated statements of operations.

The following table summarizes the Director DSU activity during fiscal 2010:

	Number of DSUs	Weighted-Average Grant-Date Fair Value
Nonvested Director DSUs at January 1, 2010	—	$ —
Granted	58,229	10.28
Vested	—	—
3Forfeited	(12,500)	10.00
Nonvested Director DSUs at December 31, 2010	45,729	$ 10.36

Class B shares and equity awards subject to contingent redemption features

The Company's SIP and DIP programs are subject to a contingent redemption feature relating to any potential future change in control of the Company. Among other provisions, this feature provides for the cash settlement of Shares and DSUs at fair value as of the date of the change in control. As the Company does not deem such redemption event as currently probable, applicable accounting guidance requires recognition of Shares and earned DSUs as mezzanine equity, which the Company has presented as Class B shares and equity awards subject to contingent redemption on its consolidated balance sheets. Additionally, as the contingent redemption is not currently probable the carrying amount has not been adjusted to the expected redemption amount.

At December 31, 2010, the Company's mezzanine equity consisted of $14,479 related to DSUs associated with the conversion of the LTIP, $6,418 related to DSUs that were earned during 2010, $13,874 related to the SIP equity offering and $1,100 related to the DIP equity offering.

(23) Lease Commitments

The Company leases certain plant, office and warehouse space as well as machinery, vehicles, data processing and other equipment under long-term, noncancelable operating leases. Certain of the leases have renewal options at reduced rates and provisions requiring the Company to pay maintenance, property taxes and insurance. Generally, all rental payments are fixed. At December 31, 2010, the future payments for all operating leases with remaining lease terms in excess of one year in each of the next five fiscal years and thereafter were as follows:

Year	
2011	$ 56,159
2012	37,504
2013	24,959
2014	14,611
2015	10,318
Thereafter	26,029
	$169,580

Total rent expense under all leases was $71,151, $70,566 and $75,386 for the fiscal years ended December 31, 2010, December 31, 2009 and December 31, 2008, respectively.

(24) Related-Party Transactions

Diversey purchases certain raw materials and products from SCJ, which like Diversey, is majority-owned by the descendants of Samuel Curtis Johnson. Total inventory purchased from SCJ was $30,122, $25,238 and $27,743 for the fiscal years ended December 31, 2010, December 31, 2009 and December 31, 2008, respectively.

SCJ also provides certain administrative, business support and general services, including shared facility services to Diversey. In addition, Diversey leases certain facilities from SCJ. Charges for these services and leases totaled $11,449, $14,032 and $13,013 for the fiscal years ended December 31, 2010, December 31, 2009 and December 31, 2008, respectively.

Diversey licenses the use of certain trade names, housemarks and brand names from SCJ. Payments to SCJ under the license agreements governing the names and marks totaled $5,891, $6,316 and $7,441 for the fiscal years ended December 31, 2010, December 31, 2009 and December 31, 2008, respectively.

After Diversey’s 1999 separation from SCJ, SCJ continued to operate institutional and industrial businesses in various countries in which Diversey did not have operations. Under a territorial license agreement, Diversey licenses the intellectual property rights to SCJ to allow it to manufacture and sell Diversey’s products in those countries. Under this agreement, SCJ pays a royalty fee based on its and its sub licensees' net sales of products bearing Diversey’s brand names. Amounts paid by SCJ to Diversey under the territorial license agreement totaled $106, $82 and $271 during the fiscal years ended December 31, 2010, December 31, 2009 and December 31, 2008, respectively.

SCJ purchases certain raw materials and products from Diversey. Total inventory purchased by SCJ from Diversey was $950, $2,952 and $1,875 for the fiscal years ended December 31, 2010, December 31, 2009, and December 31, 2008, respectively.

In June 2006, in connection with the divestiture of the Polymer Business, Diversey entered into a toll manufacturing agreement with SCJ. In addition, Diversey and SCJ entered a toll manufacturing agreement covering its North American business. Under both agreements, SCJ supports and performs certain manufacturing functions at its Waxdale operation in the United States. The Polymer tolling agreement was terminated in 2010. In association with these tolling agreements, Diversey paid SCJ $4,489, $6,523 and $6,135 during the fiscal years ended December 31, 2010, December 31, 2009 and December 31, 2008, respectively.

Diversey has a banking relationship with the Johnson Financial Group, which is majority-owned by the descendants of Samuel Curtis Johnson. Service fees paid to the Johnson Financial Group totaled $54, $69 and $103, for the fiscal years ended December 31, 2010, December 31, 2009 and December 31, 2008, respectively.

In connection with the May 2002 acquisition of the DiverseyLever business, Diversey entered into a Sales Agency Agreement with Unilever whereby Diversey acts as Unilever’s sales agent in the sale of Unilever’s consumer brand cleaning products to institutional and industrial end-users. The original term of the sales agency agreement was extended until December 31, 2007. On October 11, 2007, Diversey and Unilever executed the Umbrella Agreement pursuant to which the parties agreed to the terms of (i) the New Agency Agreement that is substantially similar to the Prior Agency Agreement and that applies to Ireland, the United Kingdom, Portugal and Brazil and (ii) the License Agreement under which Unilever agreed to grant us and our affiliates a license to produce and sell professional packs of Unilever’s consumer brand cleaning products in 31 other countries that were subject to the Prior Agency Agreement. Under the Umbrella Agreement, Diversey and its affiliates also entered into agreements with Unilever to distribute consumer packs of Unilever’s consumer brand cleaning products in the same 31 countries as the License Agreement. The New Agency Agreement, the License Agreement and the consumer pack distribution arrangements took effect on January 1, 2008.

Amounts earned under the New Agency Agreement were $26,400, $27,170 and $35,020 during the fiscal year ended December 31, 2010, December 31, 2009 and December 31, 2008, respectively

Royalties paid under the License Agreement were $5,351, $5,010 and $5,120 during the fiscal year ended December 31, 2010, December 31, 2009 and December 31, 2008, respectively.

Under the dispensed products license agreement, Unilever has granted Diversey a license to use certain intellectual property relating to the products Diversey sells for use in certain personal care product dispensing systems. Either party may terminate the dispensed products license agreement or the licenses granted under the agreement by providing six months’ written notice prior to any anniversary of the dispensed products license agreement. The dispensed products license agreement has been extended to May 2, 2011. Payments to Unilever under the dispensed products license agreement totaled $726, $725 and $818, for the fiscal years ended December 31, 2010, December 31, 2009 and December 31, 2008, respectively.

Under the transitional services agreement, Unilever provided Diversey with a wide range of support services that were intended to ensure the smooth transition of the DiverseyLever business from Unilever to Diversey. Unilever provided most services for no more than 24 months, and, accordingly, services under the transitional services agreement have been terminated.

In association with the continuation of various support services and reimbursement of benefit-related costs not covered by the transitional service agreement, Diversey paid Unilever $17, $0 and $108 for the fiscal years ended December 31, 2010, December 31, 2009, and December 31, 2008, respectively.

Diversey purchases certain raw materials and products from Unilever, acts as a co-packer for Unilever and also sells certain finished goods to Unilever as a customer. Total purchases of inventory by Diversey from Unilever, excluding inventories associated with the sales agency agreement, were $57,863, $64,140 and $65,011, respectively, for the fiscal years ended December 31, 2010, December 31, 2009 and December 31, 2008. Total sales of finished product by Diversey to Unilever were $18,472, $18,516 and $26,208, for the fiscal years ended December 31, 2010, December 31, 2009 and December 31, 2008, respectively.

Diversey recognized interest income of $0, $2,551 and $2,749 for the fiscal years ended December 31, 2010, December 31, 2009 and December 31, 2008, respectively, related to certain long-term acquisition related receivables from Unilever.

In 2010, in connection with the Consulting Agreement and the Transactions (See Note 26), Diversey paid CD&R $5,783 in fees and expenses. In 2009, the Company paid a transaction fee of $25,000 and $300 in transaction-related expenses.

Related-party receivables and payables at December 31, 2010 and December 31, 2009 consisted of the following:

	December 31, 2010	December 31, 2009
Included in accounts receivable – related parties:		
Receivable from CMH	$ —	$ 701
Receivable from SCJ	65	190
Receivable from Unilever	6,368	21,052
Included in accounts payable – related parties:		
Payable to CMH	—	683
Payable to SCJ	5,567	6,635
Payable to Unilever	18,100	28,057
Payable to other related parties	127	525

(25) Other Comprehensive Income

Components of other comprehensive income are disclosed, net of tax, in the consolidated statements of stockholders' equity. The following table reflects the gross other comprehensive income and related income tax (expense) benefit:

	Fiscal Year Ended					
	December 31, 2010			December 31, 2009		
	Gross	Tax	Net	Gross	Tax	Net
Foreign currency translation adjustments:						
Balance at beginning of year	$ 348,599	$(16,523)	$ 332,076	$ 272,503	$(10,287)	$ 262,216
Foreign currency translation adjustments	12,146	1,498	13,644	76,096	(6,236)	69,860
Balance at end of year	360,745	(15,025)	345,720	348,599	(16,523)	332,076
Adjustments to pension liability:						
Balance at beginning of year	(127,372)	12,212	(115,160)	(170,216)	25,085	(145,131)
Adjustments to pension liability	18,620	(5,938)	12,682	42,844	(12,873)	29,971
Balance at end of year	(108,752)	6,274	(102,478)	(127,372)	12,212	(115,160)
Unrealized gains/(losses) on derivatives:						
Balance at beginning of year	(229)	(1,371)	(1,600)	(5,680)	812	(4,868)
Gains/(Losses) in fair value of derivatives	(592)	183	(409)	(229)	(1,371)	(1,600)
Reclassification of prior unrealized gains/(losses) in net income	229	(35)	194	5,680	(812)	4,868
Balance at end of year	(592)	(1,223)	(1,815)	(229)	(1,371)	(1,600)
Total accumulated other comprehensive income, net	251,401	(9,974)	241,427	220,998	(5,682)	215,316

(26) Recapitalization and Refinancing Transactions

On October 7, 2009, the Company and Diversey entered into a series of agreements, which are collectively refered to as the "Transactions", consisting of the following, and which closed on November 24, 2009:

(1) an Investment and Recapitalization Agreement (the "Investment Agreement"), by and among Holdings, CDR Jaguar Investor Company, LLC ("CD&R Investor"), a Delaware limited liability company, owned by a private investment fund managed by CD&R, CMH, and SNW, pursuant to which:

    (a) the common equity ownership interests of the Company held by CMH were reclassified into 51.1 million new shares of class A common stock; and

    (b) the Company issued 47.7 million shares of its new class A common stock to CD&R Investor and CD&R F&F Jaguar Investor, LLC, an affiliate of CD&R Investor (together with CD&R Investor, the "CD&R Investor Parties"), and 990,000 shares of its new class A common stock to SNW for cash consideration of $477 million and $9.9 million, respectively.

(2) a Redemption Agreement (as amended, the "Redemption Agreement"), by and among the Company, Diversey, CMH, Unilever, N.V., a company organized under the laws of the Netherlands ("Unilever"), Marga B.V., a company organized under the laws of the Netherlands and an indirect, wholly owned subsidiary of Unilever ("Marga"), and Conopco, Inc., a New York corporation and an indirect, wholly owned subsidiary of Unilever ("Conopco"), pursuant to which the Company purchased all of the common equity ownership interests in the Company held by parties affiliated with Unilever in exchange for (a) $390.5 million in cash, (b) the settlement of certain amounts owing by Unilever to the Company and Diversey and owing to Unilever by the Company and CMH, and (c) a warrant (the "Warrant") to purchase 4,156,863 shares of the Company's new class A common stock, representing 4% of the Company's outstanding common stock at the closing of the Transactions assuming exercise of the Warrant.

At the closing of the Transactions, Holdings' ownership, assuming the exercise of the Warrant, but excluding any impact of the New Stock Incentive Plan (see Note 22), is as follows: CMH, 49.1%; CD&R Investor Parties, 45.9%; SNW, 1.0%; and Unilever, 4.0%. SNW granted an irrevocable proxy to CMH to vote its common stock of Holdings, which, subject to certain limitations, increased CMH's voting ownership in Holdings from approximately 49.1% to approximately 50.1% and decreased SNW's voting ownership in Holdings from approximately 1.0% to 0.0%.

In addition to the agreements described above, the Company and Diversey also entered into the following agreements: (1) a consulting agreement between the Company, Diversey and CD&R, pursuant to which CD&R will provide certain management, consulting, advisory, monitoring and financial services to the Company and its subsidiaries ("Consulting Agreement"); and (2) amended commercial agreements between Diversey and SCJ, relating to, among other things, a facility lease, brand licensing, supply arrangements and administrative services.

The Company also entered into the following agreements: (1) a stockholders agreement, by and among the Company, CMH, SNW, CD&R Investor Parties, relating to certain governance rights and (2) a registration rights agreement by and among the Company, CD&R Investor Parties, CMH, SNW and Marga ("Holdings Registration Rights Agreement").

The Company issued the Warrant to Marga (and subsequently assigned to another Unilever affiliate) for the purchase of 4,156,863 shares of the Company's class A common stock at an initial exercise price of $0.01 per share. The Warrant is exercisable upon the occurrence of a liquidity event, or upon the exercise of drag-along rights or tag-along rights as described in the Holdings Registration Rights Agreement. The fair value of this Warrant, measured on the date of the Transactions, was recorded by the Company in its financial statements at $39.6 million.

In connection with the Transactions, the Company and Diversey refinanced their debt and entered into new debt agreements, as more fully described in Note 12, as follows:

- the repurchase or redemption by Diversey of its previously outstanding senior subordinated notes and by Diversey of its previously outstanding senior discount notes;
- the repayment of all outstanding obligations under Diversey's previously outstanding senior secured credit facilities and the termination thereof;
- the entry by Diversey into a new $1.25 billion senior secured credit facility ("Senior Secured Credit Facilities");

- the issuance by Diversey of $400 million aggregate principal amount of 8.25% senior notes due 2019 (“Diversey Senior Notes”); and
- the issuance by the Company of $250 million aggregate initial principal amount of 10.5% senior notes due 2020 (“Holdings Senior Notes”).

(27) Commitments and Contingencies

The Company is subject to various legal actions and proceedings in the normal course of business. Although litigation is subject to many uncertainties and the ultimate exposure with respect to these matters cannot be ascertained, the Company does not believe the final outcome of any current litigation will have a material effect on the Company’s financial position, results of operations or cash flows.

The Company has purchase commitments for materials, supplies, and property, plant and equipment incidental to the ordinary conduct of business. In the aggregate, such commitments are not in excess of current market prices. Additionally, the Company normally commits to some level of marketing related expenditures that extend beyond the fiscal year. These marketing expenses are necessary in order to maintain a normal course of business and the risk associated with them is limited. It is not expected that these commitments will have a material effect on the Company’s consolidated financial position, results of operations or cash flows.

In September 2010, Diversey conditionally promised $6,000 to a chartible organization near its Sturtevant, Wisconsin headquarters. In November 2010, Diversey and the charitible organization executed a pledge agreement providing for conditional payments totaling $6,000. Diversey completed an assessment of the conditions underlying the pledge agreement and concluded that the possibility of not meeting any and all conditions is remote and therefore had entered into an unconditional pledge in November 2010. Accordingly, Diversey expensed $6,000 during the fourth quarter of 2010 to selling, general and administrative expenses. Diversey expects to make installment payments during 2011 and 2012.

The Company maintains environmental reserves for remediation, monitoring, assessment and other expenses at one of its domestic facilities. While the ultimate exposure at this site continues to be evaluated, the Company does not anticipate a material effect on its consolidated financial position or results of operations.

In connection with the acquisition of the DiverseyLever business, the Company conducted environmental assessments and investigations at DiverseyLever facilities in various countries. These investigations disclosed the likelihood of soil and/or groundwater contamination, or potential environmental regulatory matters. The Company continues to evaluate the nature and extent of the identified contamination and is preparing and executing plans to address the contamination, including the potential to recover some of these costs from Unilever under the terms of the DiverseyLever purchase agreement. As of December 31, 2010, the Company maintained related reserves of $10,800 on a discounted basis (using country specific rates ranging from 7.6% to 21.7%) and $13,900 on an undiscounted basis. The Company intends to seek recovery from Unilever under indemnification clauses contained in the purchase agreement.

During fiscal 2008, the Company was a licensee of certain chemical production technology used globally. The license agreement provided for guaranteed minimum royalty payments during a term ending on December 31, 2014. Under the terms of agreement and based on current financial projections, the Company did not expect to meet the minimum guaranteed payments. In accordance with the requirements of ASC Topic 450, Contingencies, the Company estimated its possible range of loss as $2,879 to $4,397 and maintained a loss reserve of $2,879 at December 31, 2008. In December 2009, the Company and licensee amended the terms of the license agreement resulting in a $700 payment to the licensee and elimination of future guaranteed minimum royalty payments. The resulting $2,179 reduction in related reserves was recorded as a credit to selling, general and administrative expenses in the consolidated statements of operations in fiscal 2009.

(28) Segment Information

Information regarding the Company’s operating segments is shown below. Each segment is individually managed with separate operating results that are reviewed regularly by the executive management. Each segment’s accounting policies are consistent with those used by the Company.

The following table represents operating segment information. Statements of operations, except depreciation and amortization, include results from continuing operations only.

	Fiscal Year Ended December 31, 2010				
	Europe	Americas	Greater Asia Pacific	Eliminations/ Other [1]	Total Company
Net sales	$1,642,091	$925,700	$591,718	$ (31,832)	$3,127,677
Operating profit	162,709	91,924	39,049	(35,747)	257,935
Depreciation and amortization	48,289	24,663	16,332	27,544	116,828
Interest expense	46,826	17,671	2,102	81,977	148,576
Interest income	1,473	2,298	790	(2,164)	2,397
Total assets	1,824,243	697,263	574,865	187,642	3,284,013
Goodwill, net	772,194	212,047	213,404	65,786	1,263,431
Capital expenditures, including capitalized computer software	30,429	24,982	15,068	24,183	94,662
Long-lived assets [2]	1,015,340	311,208	301,038	298,397	1,925,983

	Fiscal Year Ended December 31, 2009				
	Europe	Americas	Greater Asia Pacific	Eliminations/ Other [1]	Total Company
Net sales	$1,683,349	$908,909	$542,284	$ (23,661)	$3,110,881
Operating profit	125,674	85,421	19,824	(33,344)	197,575
Depreciation and amortization	47,166	22,050	15,234	27,647	112,097
Interest expense	55,203	16,186	2,243	68,891	142,523
Interest income	4,563	1,704	367	(2,079)	4,555
Total assets	1,997,159	608,631	504,959	337,558	3,448,307
Goodwill, net	805,725	207,819	190,671	66,817	1,271,032
Capital expenditures, including capitalized computer software	31,157	20,782	11,749	30,606	94,294
Long-lived assets [2]	1,081,699	305,924	267,236	320,897	1,975,756

	Fiscal Year Ended December 31, 2008				
	Europe	Americas	Greater Asia Pacific	Eliminations/ Other [1]	Total Company
Net sales	$1,835,964	$952,232	$563,121	$ (35,440)	$3,315,877
Operating profit	93,179	55,896	8,891	(25,390)	132,576
Depreciation and amortization	57,932	26,255	17,533	26,516	128,236
Interest expense	68,576	13,969	2,998	67,681	153,224
Interest income	8,698	3,385	670	(5,073)	7,680
Total assets	1,894,388	565,567	511,189	244,028	3,215,172
Goodwill, net	779,653	193,607	186,360	66,394	1,226,014
Capital expenditures, including capitalized computer software	47,654	28,158	14,310	31,089	121,211
Long-lived assets [2]	1,063,781	283,014	268,097	314,504	1,929,396

1 Eliminations/Other includes the Company's corporate operating and holding entities, discontinued operations and corporate level eliminations and consolidating entries.

2 Long-lived assets includes property, plant and equipment, capital software, intangible items and investments in affiliates.

(29) Quarterly Financial Data (unaudited)

	1st Quarter		2nd Quarter		3rd Quarter		4th Quarter	
	April 2, 2010	April 4, 2009	July 2, 2010	July 3, 2009	October 1, 2010	October 2, 2009	December 31, 2010	December 31, 2009
Net sales	$747,660	$704,612	$794,317	$792,554	$783,572	$815,437	$ 802,128	$ 798,278
Gross profit	317,225	269,347	345,095	325,929	328,139	352,422	336,799	334,250
Net income (loss)	(6,169)	(28,672)	11,731	6,874	33,360	31,089	(6,192)	(57,916)

Schedule II—Valuation and Qualifying Accounts

Diversey Holdings, Inc.
(Dollars in Thousands)

	Balance at Beginning of Year	Charges to Costs and Expenses	Charges to Other Accounts (1)	Deductions (2)	Balance at End of Year
Allowance for Doubtful Accounts					
Fiscal Year Ended December 31, 2010	$ 20,645	$ 5,707	$ (1,813)	$ (4,651)	$ 19,888
Fiscal Year Ended December 31, 2009	20,487	8,684	1,788	(10,314)	20,645
Fiscal Year Ended December 31, 2008	25,646	7,388	(4,570)	(7,977)	20,487
Tax Valuation Allowance					
Fiscal Year Ended December 31, 2010	350,217	49,048	2,691	(19,540)	382,416
Fiscal Year Ended December 31, 2009	335,452	53,044	19,133	(57,412)	350,217
Fiscal Year Ended December 31, 2008	295,376	72,656	15,741	(48,321)	335,452

(1) Includes the effects of changes in currency translation and business acquisitions

(2) Represents amounts written off from the allowance for doubtful accounts, net of recoveries, or the release of tax valuation allowances in jurisdictions where a change in facts and circumstances lead to the usage or a change in judgment relating to the usa

DIVERSEY HOLDINGS, INC.
CONSOLIDATED BALANCE SHEETS
(dollars in thousands, except share data)

	September 30, 2011 (unaudited)	December 31, 2010
ASSETS		
Current assets:		
Cash and cash equivalents	$ 109,282	$ 169,094
Restricted cash	6,259	20,407
Accounts receivable, less allowance of $19,045 and $19,888, respectively	583,809	563,006
Accounts receivable — related parties	8,859	6,433
Inventories	290,982	263,247
Deferred income taxes	31,598	24,532
Other current assets	175,621	163,307
Total current assets	1,206,410	1,210,026
Property, plant and equipment, net	406,481	410,507
Capitalized software, net	53,988	52,980
Goodwill	1,262,999	1,263,431
Other intangibles, net	188,128	194,175
Deferred income taxes, non current	10,142	12,919
Other assets	160,627	—
Total assets	$ 3,288,775	$3,284,013
LIABILITIES, CLASS B SHARES AND EQUITY AWARDS SUBJECT TO CONTINGENT REDEMPTION AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Short-term borrowings	$ 54,563	$ 24,205
Current portion of long-term borrowings	9,513	9,498
Accounts payable	310,043	327,831
Accounts payable — related parties	27,785	23,794
Deferred income taxes	2,090	—
Accrued expenses	417,398	463,319
Total current liabilities	821,392	848,647
Pension and other post-retirement benefits	224,082	226,682
Long-term borrowings	1,443,644	1,445,678
Deferred income taxes, non current	138,950	114,358
Other liabilities	117,266	125,893
Total liabilities	2,745,334	2,761,258
Commitments and contingencies		
Class B shares and equity awards subject to contingent redemption features— $0.01 par value; 20,000,000 shares authorized; 2,563,948 shares issued and outstanding at September 30, 2011 and 1,490,971 shares issued and outstanding at December 31, 2010	37,625	35,871
Stockholders' equity:		
Class A common stock — $0.01 par value; 200,000,000 shares authorized; 99,764,706 shares issued and outstanding at September 30, 2011 and December 31, 2010	998	998
Capital in excess of par value	558,312	554,244
Accumulated deficit	(269,576)	(309,785)
Accumulated other comprehensive income	216,082	241,427
Total stockholders' equity	505,816	486,884
Total liabilities, Class B shares and equity awards subject to contingent redemption and stockholders' equity	$ 3,288,775	$3,284,013

The accompanying notes are an integral part of the consolidated financial statements

DIVERSEY HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(dollars in thousands)

	Three Months Ended		Nine Months Ended	
	September 30, 2011	October 1, 2010	September 30, 2011	October 1, 2010
	(unaudited)		(unaudited)	
Net sales:				
Net product and service sales	$ 818,304	$776,308	$ 2,445,199	$2,306,379
Sales agency fee income	6,473	7,264	19,338	19,170
	824,777	783,572	2,464,537	2,325,549
Cost of sales	492,736	455,433	1,451,762	1,335,090
Gross profit	332,041	328,139	1,012,775	990,459
Selling, general and administrative expenses	256,772	224,705	770,817	728,976
Research and development expenses	16,228	15,572	52,518	48,829
Restructuring expenses/(credits)	(234)	173	(1,383)	(2,347)
Operating profit	59,275	87,689	190,823	215,001
Other (income) expense:				
Interest expense	29,595	38,400	96,879	108,308
Interest income	(553)	(630)	(1,762)	(1,511)
Other (income) expense, net	(1,217)	(871)	(1,107)	2,883
Income from continuing operations before income taxes	31,450	50,790	96,813	105,321
Income tax provision	17,053	16,301	56,519	56,209
Income from continuing operations	14,397	34,489	40,294	49,112
Loss from discontinued operations, net of income taxes	—	(1,129)	—	(10,190)
Net income	$ 14,397	$ 33,360	$ 40,294	$ 38,922

The accompanying notes are an integral part of the consolidated financial statements

DIVERSEY HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(dollars in thousands)

	Nine Months Ended September 30, 2011 (unaudited)	Nine Months Ended October 1, 2010 (unaudited)
Cash flows from operating activities:		
Net income	$ 40,294	$ 38,922
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	76,747	70,999
Amortization of intangibles	10,756	13,101
Amortization and direct expense of debt issuance costs	11,730	11,088
Accretion of original issue discount	3,870	3,218
Interest accreted on notes payable	—	12,469
Deferred income taxes	8,618	18,753
Loss on disposal of discontinued operations	—	842
Loss from divestitures	—	108
Japan inventory loss	701	—
Loss(Gain) on property, plant and equipment disposals	(525)	353
Stock-based compensation	8,672	11,075
Other	6,445	7,478
Changes in operating assets and liabilities, net of effects from acquisitions and divestitures of businesses:		
Accounts receivable	(37,489)	807
Inventories	(28,969)	(29,439)
Other current assets	(17,609)	(4,629)
Accounts payable and accrued expenses	(41,136)	(59,082)
Other assets	(19,452)	(2,731)
Other liabilities	(13,980)	(14,572)
Net cash provided by operating activities	8,673	78,760
Cash flows from investing activities:		
Capital expenditures	(62,557)	(45,866)
Expenditures for capitalized computer software	(17,359)	(8,690)
Proceeds from property, plant and equipment disposals	1,874	2,642
Acquisitions of businesses and other intangibles	(2,463)	—
Dividends from unconsolidated affiliates	—	598
Net costs of divestiture of businesses	—	(950)
Net cash used in investing activities	(80,505)	(52,266)
Cash flows from financing activities:		
Proceeds from (repayments of) short-term borrowings, net	31,421	(1,351)
Repayments of long-term borrowings	(7,296)	(56,382)
Payment of costs for equity redemption and issuance	—	(961)
Proceeds related to stock-based long-term incentive plans	70	9,345
Repurchase and redemption of Class B equity	(2,920)	—
Payment of debt issuance costs	(2,806)	(4,949)
Dividends paid	(85)	(80)
Net cash provided by (used in) financing activities	18,384	(54,378)
Effect of exchange rate changes on cash and cash equivalents	(6,364)	7,278
Change in cash and cash equivalents	(59,812)	(20,606)
Beginning balance	169,094	249,713
Ending balance	$ 109,282	$ 229,107
Supplemental cash flows information		
Cash paid during the period:		
Interest, net	$ 67,422	$ 69,110
Income taxes	48,689	27,353

The accompanying notes are an integral part of the consolidated financial statements

1. Description of the Company

Diversey Holdings, Inc. ("Holdings" or the "Company") directly owns all of the shares of Diversey, Inc. ("Diversey"). The Company is a holding company and its sole business interest is the ownership and control of Diversey and its subsidiaries. Diversey is a leading global marketer and manufacturer of commercial cleaning, hygiene, operational efficiency, appearance enhancing products and equipment and related services and solutions for food safety and service, food and beverage plant operations, floor care, housekeeping and room care, laundry and skin care. Diversey serves institutional and industrial end-users such as food service providers, lodging establishments, food and beverage processing plants, building service contractors, building managers and property owners, retail outlets, schools and health-care facilities in more than 175 countries worldwide.

On October 3, 2011, as discussed in Note 21, the Company became a wholly-owned subsidiary of Sealed Air Corporation ("Sealed Air").

2. Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") for interim financial information and pursuant to the rules and regulations of the U.S. Securities and Exchange Commission ("SEC"). Accordingly, they do not include all of the information and footnotes required for complete financial statements. In the opinion of management, all normal recurring adjustments considered necessary to present fairly the financial position of the Company as of September 30, 2011 and its results of operations for the three and nine months ended September 30, 2011 and cash flows for the nine months ended September 30, 2011 have been included. The results of operations for the three and nine months ended September 30, 2011 are not necessarily indicative of the results to be expected for any subsequent interim period or for the full fiscal year ending December 31, 2011. It is recommended that the accompanying consolidated financial statements be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2010. The Company evaluates subsequent events through the date the financial statements are issued, which is December 14, 2011 for these financial statements.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Diversey Holdings, Inc., Diversey, Inc., and its wholly owned subsidiaries. All inter-company balances and transactions have been eliminated upon consolidation.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

The Company uses estimates and assumptions in accounting for the following significant matters, among others:

- Allowances for doubtful accounts
- Inventory valuation and allowances
- Valuation of acquired assets and liabilities
- Useful lives of property and equipment and intangible assets
- Goodwill and other long-lived asset impairment
- Contingencies
- Accounting for income taxes
- Stock-based compensation

- Customer rebates and discounts
- Environmental remediation costs
- Pensions and other post-retirement benefits

Actual results may differ from previously estimated amounts, and such differences may be material to the consolidated financial statements. The Company periodically reviews estimates and assumptions, and the effects of revisions are reflected in the period in which the revision is made. No significant revisions to estimates or assumptions were made during the periods presented in the accompanying consolidated financial statements.

Unless otherwise indicated, all monetary amounts, except per share data, are stated in thousand dollars.

Segment Reporting

The Financial Standards Accounting Board ("FASB") Accounting Standards Codification™ ("ASC") Topic 280, *Segment Reporting*, defines operating segments as components of an enterprise for which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance.

During the current quarter, the Company completed the change in its organizational structure which was announced in December 2010. It provides a focus on the role of emerging markets in our growth objectives, and consists of four regions, as follows:

- Europe – This region is comprised of operating units in Western and Eastern Europe and Russia and will no longer include our operations in Turkey, Africa and Middle East countries. Europe will continue to be our largest region.
- Americas – The operating units in this region will remain unchanged.
- Asia Pacific, Africa, Middle East, Turkey ("APAT") – This region is comprised of our operations in Asia Pacific, Africa, Middle East, Turkey and the Caucasian and Asian Republics. This region will no longer include Japan.
- Japan – Japan becomes a stand-alone region.

The Company's operations were previously organized in three regions: Europe/Middle East/Africa, Americas, and Greater Asia Pacific.

As a result of this change, Note 19 reflects segment information in conformity with the new four region model and prior period segment information has been restated for comparability and consistency.

3. <u>Recent Accounting Pronouncements</u>

With the exception of those discussed below, there have been no recent accounting pronouncements or changes in accounting pronouncements during the nine months ended September 30, 2011, as compared to the recent accounting pronouncements described in the Company's Annual Report on Form 10-K for the year ended December 31, 2010, that are of significance, or potential significance, to the Company.

Intangibles—Goodwill and Other (ASC Topic 350)

In September 2011, the FASB issued an Accounting Standards Update ("ASU") intended to simplify how entities test goodwill for impairment. The new guidance gives entities the option 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. If an entity believes, as a result of its qualitative assessment, that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, the quantitative impairment test under existing accounting guidance is required to be performed. Otherwise, no further testing is required. These new provisions will become effective for the Company beginning January 1, 2012. Early adoption is permitted in certain circumstances. The Company is currently assessing the potential impact of the adoption of this guidance on its financial statements.

In December 2010, the FASB issued an ASU describing when to Perform Step 2 of the Goodwill Impairment Test for Reporting Units with Zero or Negative Carrying Amounts. The amendments in this ASU modify Step 1 of the goodwill impairment test for reporting units with zero or negative carrying amounts. For those reporting units, an entity is required to perform Step 2 of the goodwill impairment test if it is more likely than not that a goodwill impairment exists. In determining whether it is more likely than not that goodwill impairment exists, an entity should consider whether there are any adverse qualitative factors indicating that impairment may exist. The qualitative factors are consistent with the existing guidance and examples, which require that goodwill of a reporting unit be tested for impairment between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. The Company adopted this ASU effective at the beginning of fiscal year 2011, as required. This ASU did not impact the Company's consolidated financial statements.

Comprehensive Income (ASC Topic 220)

In June 2011, the FASB issued an ASU to allow an entity the option to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In both choices, an entity is required to present each component of net income along with total net income, each component of other comprehensive income along with a total for other comprehensive income, and a total amount for comprehensive income. This ASU eliminates the option to present the components of other comprehensive income as part of the statement of changes in stockholders' equity. It does not change the items that must be reported in other comprehensive income or when an item of other comprehensive income must be reclassified to net income. This ASU is to be applied retrospectively and is effective for interim and annual periods beginning after December 15, 2011. Early adoption is permitted. The Company is currently evaluating the effect of this ASU on its financial statements.

Fair Value Measurement (ASC Topic 820)

In May 2011, the FASB issued an ASU incorporating amendments to achieve common fair value measurement and disclosure requirements in U.S. GAAP and International Financial Reporting Standards. This ASU represents the converged guidance of the FASB and the International Accounting Standards Board on fair value measurement. The FASB does not intend for many of the amendments to result in a change in the application of ASC Topic 820. This ASU is to be applied prospectively and is effective for interim and annual periods beginning after December 15, 2011. Early application is not permitted. The Company is currently evaluating the effect that this ASU may have on its financial statements.

Business Combinations (ASC Topic 805)

In December 2010, the FASB issued an ASU related to Disclosure of Supplementary Pro Forma Information for Business Combinations. The amendments in this ASU specify that if a public entity presents comparative financial statements, the entity should disclose revenue and earnings of the combined entity as though the business combination(s) that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period only. The amendments also expand the supplemental pro forma disclosures to include a description of the nature and amount of material, nonrecurring pro forma adjustments directly attributable to the business combination included in the reported pro forma revenue and earnings. The Company adopted this ASU effective at the beginning of fiscal year 2011, and will apply the ASU prospectively to future business combinations for which the acquisition date is after December 31, 2010, as required. This ASU did not impact the Company’s consolidated financial statements.

4. Master Sales Agency Terminations and Umbrella Agreement

In connection with the May 2002 acquisition of the DiverseyLever business, Diversey entered into a master sales agency agreement (the “Sales Agency Agreement”) with Unilever PLC and Unilever N.V. (“Unilever”), whereby Diversey acts as an exclusive sales agent in the sale of Unilever’s consumer branded products to various institutional and industrial end-users. At acquisition, Diversey assigned an intangible value to the Prior Agency Agreement of $13,000, which was fully amortized at May 2007.

In October 2007, Diversey and Unilever entered into the Umbrella Agreement (the “Umbrella Agreement”), to replace the Prior Agency Agreement, which includes; i) a new agency agreement with terms similar to the Prior Agency Agreement, covering Ireland, the United Kingdom, Portugal and Brazil, and ii) a Master Sub-License Agreement (the “License Agreement”) under which Unilever has agreed to grant 31 of Diversey’s subsidiaries a license to produce and sell professional size packs of Unilever’s consumer branded cleaning products. The entities covered by the License Agreement have also entered into agreements with Unilever to distribute Unilever’s consumer branded products. Except for some transitional arrangements in certain countries, the Umbrella Agreement became effective January 1, 2008, and, unless otherwise terminated or extended, will expire on December 31, 2017.

An agency fee is paid by Unilever to the Company in exchange for its sales agency services. An additional fee is payable by Unilever to the Company in the event that conditions for full or partial termination of the Prior Agency Agreement are met. At various times during the life of the Prior Agency Agreement, the Company elected, and Unilever agreed, to partially terminate the Prior Agency Agreement in several territories resulting in payment by Unilever to the Company of additional fees, which are recognized in the consolidated statements of operations over the life of the Umbrella Agreement. In association with the partial terminations, the Company recognized sales agency fee income of $154 and $154 during the three months ended September 30, 2011 and October 1, 2010, respectively; and $707 and $463 during the nine months ended September 30, 2011 and October 1, 2010.

An additional fee is payable by Unilever to the Company in the event that conditions for full or partial termination of the License Agreement are met. The Company elected, and Unilever agreed, to partially terminate the License Agreement in several territories resulting in payment by Unilever to the Company of additional fees. In association with the partial terminations, the Company recognized sales income of $80 and $78 during the three months ended September 30, 2011 and October 1, 2010, respectively; and $239 and $78 during the nine months ended September 30, 2011 and October 1, 2010.

Under the License Agreement, the Company recorded net product and service sales of $31,657 and $30,233 during the three months ended September 30, 2011 and October 1, 2010, respectively; and $96,990 and $91,111 during the nine months ended September 30, 2011 and October 1, 2010, respectively.

5. Acquisitions

Strategic Alliance

The Company entered into a strategic alliance agreement with Eulen, S.A. ("Eulen"), a Spain-based corporation engaged in cleaning services, whereby the Company acquired certain assets of Eulen for a total cash consideration of $3,600, of which approximately $2,500 was paid in the second quarter of 2011, and $1,100 is payable in annual installments over the next 3 years. The Company finalized the purchase accounting related to this acquisition in the third quarter of 2011. The acquired assets were identified as customer lists and are included as part of Other Intangibles, net, as of September 30, 2011. These assets will be amortized on a straight-line basis over the five year life of the agreement which commenced effective May 1, 2011. The Company recorded applicable amortization for May through September 2011 of $272 for both the three and nine months ended September 30, 2011. The amortization is recorded in selling, general and administrative expenses in the consolidated statements of operations.

6. Inventories

The components of inventories are summarized as follows:

	September 30, 2011	December 31, 2010
Raw materials and containers	$ 58,019	$ 56,412
Finished goods	232,963	206,835
Total inventories	$ 290,982	$ 263,247

Inventories are stated in the consolidated balance sheets net of allowance for excess and obsolete inventory of $ 20,692 and $ 21,806 on September 30, 2011 and December 31, 2010, respectively.

7. Indebtedness and Credit Arrangements

Amendment to the Diversey Senior Secured Credit Facilities credit agreement. The Diversey Senior Secured Credit Facilities were amended in March 2011. This amendment reduced the interest rate payable with respect to the Term Loans, thereby reducing borrowing costs over the remaining life of the credit facilities. The spread on the U.S. dollar and Canadian dollar denominated borrowings was reduced from 325 basis points to 300 basis points, and the minimum LIBOR and BA floors were reduced from 2.00% to 1.00%. The spread on the euro denominated borrowing was reduced from 400 basis points to 350 basis points and the EURIBOR floor was reduced from 2.25% to 1.50%.

In addition, the amendment changed various financial covenants and credit limits to provide greater flexibility to operate the business. These changes include the ability to issue incremental term loan facilities and the ability to issue dividends to Holdings to fund cash interest payments on the Holdings Senior Notes.

In connection with the amendment and in accordance with *ASC 470-50, Debt Modifications and Extinguishments,* the Company capitalized $443 and expensed $2,363 in transaction fees paid to third parties and wrote-off $160 in previously unamortized discounts and capitalized debt issuance costs. These amounts are included in interest expense in the consolidated statements of operations for the nine months ended September 30, 2011. The effective interest rates on the Term loans were reduced from 5.70% – 6.91% to 4.19% – 5.40%.

In connection with the Company's election to pay cash interest on the Holdings Senior Notes on November 15, 2011 and its expectation that future interest payments will be made in cash, the Company accelerated the amortization of unamortized discounts and capitalized debt issuance costs and recorded additional interest expense of $4,092, which is included in the consolidated statements of operations for the nine months ended September 30, 2011.

At September 30, 2011, the unamortized discount and debt issuance costs relating to the Company's indebtedness were $18,309 and $53,919 respectively.

On October 3, 2011, in connection with the acquisition by Sealed Air, $1,489,597 of the Company's existing indebtedness was paid off or defeased (see Note 21).

8. Restructuring Liabilities

November 2005 Restructuring Program

On November 7, 2005, the Company announced a restructuring program ("November 2005 Plan"), which included redesigning the Company's organizational structure, the closure of a number of manufacturing and other facilities, outsourcing the majority of information technology support worldwide, outsourcing certain financial services in Western Europe and a workforce reduction of approximately 15%. As of September 30, 2011, the Company has terminated 2,901 employees in the execution of this plan. Our November 2005 Plan activity is expected to continue through fiscal 2011, with the associated reserves expected to be substantially paid out through cash that has been transferred to irrevocable trusts established for the settlement of these obligations. These trusts have a balance of $ 6,259 as of September 30, 2011 and are classified as restricted cash in the Company's consolidated balance sheet.

The activities associated with the November 2005 Plan for the three and nine months ended September 30, 2011 were as follows:

	Employee-Related	Other	Total
Liability balances as of December 31, 2010	$21,924	$1,181	$23,105
Net adjustments to restructuring liability	(224)	—	(224)
Cash paid [1]	(3,564)	34	(3,530)
Liability balances as of April 1, 2011	$18,136	$1,215	$19,351
Net adjustments to restructuring liability	(946)	21	(925)
Cash paid [1]	(4,159)	(18)	(4,177)
Liability balances as of July 1, 2011	$13,031	$1,218	$14,249
Net adjustments to restructuring liability	(231)	(4)	(235)
Cash paid [1]	(4,050)	(39)	(4,089)
Liability balances as of September 30, 2011	$ 8,750	$1,175	$ 9,925

[1] Cash paid includes the effects of foreign exchange.

The Company did not incur any long-lived asset impairment charges for the three and nine month periods ended September 30, 2011. In connection with the November 2005 Plan, the Company recorded long-lived asset impairment charges of $283 and $802 for the three and nine months ended October 1, 2010 respectively. The impairment charges are included in selling, general and administrative costs.

Total plan-to-date expense, net, associated with the November 2005 Plan, by reporting segment, is summarized as follows:

	Total Plan To-Date	Three Months Ended September 30, 2011	Three Months Ended October 1, 2010	Nine Months Ended September 30, 2011	Nine Months Ended October 1, 2010
Europe	$142,283	$ 902	$ 576	$ (646)	$ (1,001)
Americas	41,193	(320)	80	60	(537)
APAT	9,488	(4)	19	72	(25)
Japan	15,331	(64)	(218)	(107)	27
Other	24,712	(748)	(284)	(762)	(811)
	$233,007	$ (234)	$ 173	$ (1,383)	$ (2,347)

9. <u>Exit or Disposal Activities</u>

In June 2010, the Company announced plans to transition certain accounting functions in its corporate center and certain Americas locations to a third party provider. The Company expects to execute the plan between July 2010 and December 2011. The Company also affirmed its decision to cease manufacturing operations at Waxdale, its primary U.S. manufacturing facility, and to move some production to other locations in North America, as well as pursue contract manufacturing for a portion of its product lines. The timeline to transition out of Waxdale is not certain, but is expected to be largely completed during the first semester of fiscal 2012. In connection with these plans, the Company recorded an original estimate of $5,972 for the involuntary termination of employees which was subsequently reduced by $98 and $700 during the three and nine months ended September 30, 2011, respectively. These costs are included in selling, general and administrative expenses in the consolidated statements of operations.

As of September 30, 2011, the Company carries a liability balance of $4,290 related to these involuntary terminations.

<u>10. Income Taxes</u>

The Company reported an effective income tax rate of 58.4% on pre-tax income from continuing operations for the nine month period ended September 30, 2011. The effective income tax rate for the period exceeds the statutory income tax rate primarily as a result of increased valuation allowances against deferred tax assets in certain jurisdictions and increases in reserves for uncertain tax positions.

11. <u>Other (Income) Expense, Net</u>

The components of other (income) expense, net in the consolidated statements of operations, include the following:

	Three Months Ended September 30, 2011	Three Months Ended October 1, 2010	Nine Months Ended September 30, 2011	Nine Months Ended October 1, 2010
Foreign currency (gain) loss	$ 6,603	$ (7,269)	$ (1,310)	$ 1,706
Forward contracts (gain) loss	(6,276)	7,948	2,189	(767)
Hyperinflationary foreign currency (gain) loss	—	29	—	3,934
Other, net	(1,544)	(1,579)	(1,986)	(1,990)
	$ (1,217)	$ (871)	$ (1,107)	$ 2,883

12. Defined Benefit Plans and Other Post-Employment Benefit Plans

The components of net periodic benefit costs for the Company's defined benefit pension plans and other post-employment benefit plans for the three and nine months ended September 30, 2011 and October 1, 2010, are as follows:

	Defined Pension Benefits			
	Three Months Ended		Nine Months Ended	
	September 30, 2011	October 1, 2010	September 30, 2011	October 1, 2010
Service cost	$ 2,588	$ 2,380	$ 7,469	$ 7,076
Interest cost	8,914	8,310	26,622	25,270
Expected return on plan assets	(10,911)	(9,193)	(32,377)	(27,737)
Amortization of net loss	1,496	1,762	4,423	4,991
Amortization of transition obligation	48	44	143	155
Amortization of prior service (credit) cost	(683)	(613)	(1,992)	(1,370)
Curtailments, settlements and special termination benefits	—	(10,140)	894	(5,355)
Net periodic pension cost	$ 1,452	$ (7,450)	$ 5,182	$ 3,030

	Other Post-Employment Benefits			
	Three Months Ended		Nine Months Ended	
	September 30, 2011	October 1, 2010	September 30, 2011	October 1, 2010
Service cost	$ 314	$ 326	$ 941	$ 979
Interest cost	1,128	1,157	3,386	3,473
Amortization of net (gain) loss	(17)	(22)	(51)	(67)
Amortization of prior service credit	(51)	(51)	(154)	(153)
Net periodic benefit cost	$ 1,374	$ 1,410	$ 4,122	$ 4,232

The Company made contributions to its defined benefit pension plans of $5,277 and $9,258 during the three months ended September 30, 2011 and October 1, 2010, respectively; and $22,000 and $22,701 during the nine months ended September 30, 2011 and October 1, 2010, respectively.

In June 2011, the Company recognized a settlement of defined benefits to former U.S. employees resulting in a related loss of $894. The Company recorded this loss in selling, general and administrative expenses in the consolidated statement of operations.

In September 2010, the Company recognized a curtailment gain of $11,348 relating to the announced freezing of its pension plan in The Netherlands. The Company recorded this gain in selling, general, and administrative expenses in the consolidated statement of operations.

In June 2010, the Company recognized a settlement of defined benefits to former U.S. employees resulting in a related loss of $3,974. The Company recorded $1,996 of this loss as a component of discontinued operations, and $1,978 in selling, general and administrative expenses in the consolidated statement of operations. In September 2010, the Company recognized an additional loss of $1,080. The Company recorded $682 of this loss as a component of discontinued operations, and $398 in selling, general, and administrative expenses in the consolidated statement of operations.

In June 2010, the Company recognized a curtailment and settlement of defined benefits to former Japan employees, resulting in a related loss of $571. In September 2010, the Company recognized an additional loss of $128. The Company recorded these losses in selling, general and administrative expenses in the consolidated statement of operations.

In June 2010, the Company recognized a curtailment of defined benefits to former Ireland employees resulting in a related loss of $241. The Company recorded this loss in selling, general and administrative expenses in the consolidated statement of operations.

13. Financial Instruments

The Company sells its products in more than 175 countries and approximately 85% of the Company's revenues are generated outside the United States. The Company's activities expose it to a variety of market risks, including the effects of changes in foreign currency exchange rates and interest rates. These financial risks are monitored and managed by the Company as an integral part of its overall risk management program.

The Company maintains a foreign currency risk management strategy that uses derivative instruments (foreign currency forward contracts) to protect its interests from fluctuations in earnings and cash flows caused by the volatility in currency exchange rates. Movements in foreign currency exchange rates pose a risk to the Company's operations and competitive position, since exchange rate changes may affect the profitability and cash flow of the Company, and business and/or pricing strategies of competitors.

Certain of the Company's foreign business unit sales and purchases are denominated in the customers' or vendors' local currency. The Company purchases foreign currency forward contracts as hedges of foreign currency denominated receivables and payables and as hedges of forecasted foreign currency denominated sales and purchases. These contracts are entered into to protect against the risk that the future dollar-net-cash inflows and outflows resulting from such sales, purchases, firm commitments or settlements will be adversely affected by changes in exchange rates.

At September 30, 2011 and December 31, 2010, the Company held 17 and 23 foreign currency forward contracts, respectively, as hedges of foreign currency denominated receivables and payables with an aggregate notional amount of $ 157,887 and $163,092, respectively. Because the terms of such contracts are primarily less than three months, the Company did not elect hedge accounting treatment for these contracts. The Company records the changes in the fair value of these contracts within other (income) expense, net, in the consolidated statements of operations. Total net realized and unrealized (gains) losses recognized were $(6,276) and $2,189 during the three and nine months ended September 30, 2011, respectively compared with such (gains) losses of $7,948 and $(767), respectively for the three and nine months ended October 1, 2010.

As of September 30, 2011 and December 31, 2010, the Company held 128 and 194 foreign currency forward contracts, respectively, as hedges of forecasted foreign currency denominated sales and purchases with an aggregate notional amount of $ 50,864 and $62,983, respectively. The maximum length of time over which the Company typically hedges cash flow exposures is twelve months. To the extent that these contracts are designated and qualify as cash flow hedging instruments, the effective portion of the gain or loss on the derivative instrument is recorded in other comprehensive income and reclassified as a component to net income (loss) in the same period or periods during which the hedged transaction affects earnings. Net unrealized (gain) loss on cash flow hedging instruments of $ (435) and $409 were included in accumulated other comprehensive income, net of tax, at September 30, 2011 and December 31, 2010, respectively. There was no ineffectiveness related to cash flow hedging instruments during the three and nine months ended September 30, 2011 and October 1, 2010, respectively. Unrealized gains and losses existing at September 30, 2011, which are expected to be reclassified into the consolidated statements of operations from other comprehensive income during the next year, are not expected to be significant.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2011
(Unaudited)

At September 30, 2011 and December 31, 2010, the location and fair value amounts of derivative instruments were as follows:

	Asset Derivatives September 30, 2011		Liability Derivatives September 30, 2011	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives designated as hedging instruments				
Foreign currency forward contracts	Other current assets	$ 852	Accrued expenses	$ 333
Derivatives not designated as hedging instruments				
Foreign currency forward contracts	Other current assets	1,148	Accrued expenses	750
Total Derivatives		$ 2,000		$ 1,083

	Asset Derivatives December 31, 2010		Liability Derivatives December 31, 2010	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives designated as hedging instruments				
Foreign currency forward contracts	Other current assets	$ 724	Accrued expenses	$ 1,316
Derivatives not designated as hedging instruments				
Foreign currency forward contracts	Other current assets	1,293	Accrued expenses	669
Total Derivatives		$ 2,017		$ 1,985

The effect of derivative instruments on the Consolidated Financial Statements for the three and nine months ended September 30, 2011 and October 1, 2010, was as follows:

Derivatives with cash flow hedging relationships	Amount of (gain) loss recognized in OCI on derivatives (effective portion) Three Months Ended September 30, 2011	Location of (gain) loss reclassified from accumulated OCI into income	Amount of (gain) loss reclassified from accumulated OCI into income (effective portion) Three Months Ended September 30, 2011
Foreign currency forward contracts	$ (290)	Other (income) expense, net	$ 56

Derivatives with cash flow hedging relationships	Amount of (gain) loss recognized in OCI on derivatives (effective portion) Three Months Ended October 1, 2010	Location of (gain) loss reclassified from accumulated OCI into income	Amount of (gain) loss reclassified from accumulated OCI into income (effective portion) Three Months Ended October 1, 2010
Foreign currency forward contracts	$ (228)	Other (income) expense, net	$ 168

Derivatives with cash flow hedging relationships	Amount of (gain) loss recognized in OCI on derivatives (effective portion) Nine Months Ended September 30, 2011	Location of (gain) loss reclassified from accumulated OCI into income	Amount of (gain) loss reclassified from accumulated OCI into income (effective portion) Nine Months Ended September 30, 2011
Foreign currency forward contracts	$ (519)	Other (income) expense, net	$ (577)

Derivatives with cash flow hedging relationships	Amount of (gain) loss recognized in OCI on derivatives (effective portion) Nine Months Ended October 1, 2010	Location of (gain) loss reclassified from accumulated OCI into income	Amount of (gain) loss reclassified from accumulated OCI into income (effective portion) Nine Months Ended October 1, 2010
Foreign currency forward contracts	$ 178	Other (income) expense, net	$ 533

14. Fair Value Measurements of Financial Instruments

Financial instruments measured at fair value on a recurring basis as of September 30, 2011 and December 31, 2010 were as follows:

	Balance at September 30, 2011	Level 1	Level 2	Level 3
Assets:				
Foreign currency forward contracts	$ 2,000	$ —	$2,000	$ —
Liabilities:				
Foreign currency forward contracts	$ 1,083	$ —	$1,083	$ —

	Balance at December 31, 2010	Level 1	Level 2	Level 3
Assets:				
Foreign currency forward contracts	$ 2,017	$ —	$2,017	$ —
Liabilities:				
Foreign currency forward contracts	$ 1,985	$ —	$1,985	$ —

The Company primarily uses readily observable market data in conjunction with globally accepted valuation model software when valuing its financial instruments portfolio and, consequently, the Company designates all financial instruments as Level 2. Under ASC Topic 820, *Fair Value Measurements and Disclosures*, there are three levels of inputs that may be used to measure fair value. Level 2 is defined as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.

15. Comprehensive Income (Loss)

Comprehensive income (loss) for the three and nine months ended September 30, 2011 and October 1, 2010 are as follows:

	Three Months Ended		Nine Months Ended	
	September 30, 2011	October 1, 2010	September 30, 2011	October 1, 2010
Net income	$ 14,397	$ 33,360	$ 40,294	$ 38,922
Foreign currency translation adjustments	(94,269)	93,973	(25,959)	17,755
Adjustments to pension and post- retirement liabilities, net of tax	2,351	(7,971)	(230)	(10,900)
Unrealized gains on derivatives, net of tax	278	132	844	88
Total comprehensive income (loss)	$ (77,243)	$ 119,494	$ 14,949	$ 45,865

16. Stock-Based Compensation

Stock Incentive Plan

The Company maintains a Stock Incentive Plan (“SIP”) for the officers and most senior managers of the Company. The SIP provides for the purchase or award of new class B common stock of Holdings (“Shares”) and options to purchase new Shares representing in the aggregate up to 12% of the outstanding common stock of Holdings.

During the nine months ended September 30, 2011, pursuant to the SIP, participants purchased 4,410 Shares in Holdings at $13.60 per share, and were awarded 11,759 matching options to purchase Shares pursuant to a matching formula, at an exercise price of $13.60 per share, with a contractual term of ten years. The matching options are subject to a vesting period of four years. In addition, the Company repurchased 27,500 Shares at $13.60 per share, and 213 Shares at $26.37 per share, relating to separated employees. In conjunction with these departures, 153,000 matching options were forfeited. Also during this time period, 1,000 vested options were exercised at an exercise price of $10.00 per share.

During the nine months ended September 30, 2011, pursuant to the SIP, 1,251,478 Deferred Share Units (“DSUs” as defined in the SIP) granted in 2010 vested. 186,823 of these vested DSUs were redeemed for cash by the participants to pay all or a portion of their required withholding tax liability, and therefore were not converted into Shares. As a result of this redemption for cash, 627,099 matching options were forfeited. In addition, as a result of the departure of certain employees, 51,374 DSUs and 646,652 matching options were forfeited. Upon the closing of the Merger as discussed in Note 21, 548,473 of these options will be reinstated and accelerated pursuant to the terms of the Merger Agreement. As this event is solely contingent on the Merger closing, no compensation expense has been recognized for these options. For purposes of retention, 22,059 additional DSUs were granted to two participants, with no matching options. These DSUs have a weighted-average grant-date fair value of $13.83, and are subject to vesting periods of two to three years.

The following table summarizes the stock option activity during the nine months ended September 30, 2011:

	Number of Options	Exercise Price per Option[1]	Remaining Contractual Term[1] *(in years)*	Aggregate Intrinsic Value
Outstanding at January 1, 2011	9,728,836	$10.02		
Granted	11,759	13.60		
Exercised	(1,000)	10.00		
Forfeited	(1,273,751)	10.00		
Outstanding at September 30, 2011	8,465,844	$10.03	8.25	$122,626
Exercisable at September 30, 2011	647,513	$10.01	8.25	$ 9,392

1 Weighted-average

The weighted-average grant-date fair value of all outstanding options at September 30, 2011 is $3.43.

The following table summarizes DSU activity during the nine months ended September 30, 2011:

	Number of DSUs	Weighted-Average Grant-Date Fair Value
Nonvested DSUs at January 1, 2011	2,698,107	$ 10.00
Granted	22,059	13.83
Vested	(1,251,478)	10.00
Forfeited	(51,374)	10.00
Nonvested DSUs at September 30, 2011	1,417,314	$ 10.06

At September 30, 2011, there was $12,943 of unrecognized compensation cost related to DSUs and non-vested option compensation arrangements that is expected to be recognized as a charge to earnings over a weighted-average period of five years.

Director Stock Incentive Plan

The Company maintains a Director Stock Incentive Plan (“DIP”), which provides for the sale of Shares to certain non-employee directors of the Company, as well as the grant to these individuals of DSUs in lieu of receiving cash compensation for their services as a member of the Company’s Board of Directors.

The following table summarizes the Director DSU activity during the nine months ended September 30, 2011:

	Number of DSUs	Weighted-Average Grant-Date Fair Value
Nonvested Director DSUs at January 1, 2011	45,729	$ 10.36
Granted	51,291	13.60
Vested	(45,729)	10.36
Nonvested Director DSUs at September 30, 2011	51,291	$ 13.60

Compensation expenses related to the SIP and DIP were $2,499 and $3,792 for the three months ended September 30, 2011 and October 1, 2010, respectively; and $8,672 and $11,076 for the nine months ended September 30, 2011 and October 1, 2010, respectively. These expenses are recorded as part of selling, general and administrative expenses in the consolidated statements of operations.

Stock Appreciation Rights Plan

The Company also maintains an incentive program for certain managers of the Company who are not in the SIP, which provides for cash awards based on stock appreciation rights ("SARs"). SARs have no effect on shares outstanding as appreciation awards are paid in cash and not in common stock. The Company accounts for SARs as liability awards in which the pro-rata portion of the awards' fair value is recognized as expense over the vesting period, which approximates three years.

Compensation expenses related to the SARs plan were ($867) and $188 for the three months ended September 30, 2011 and October 1, 2010, respectively; and $3,298 and $592 for the nine months ended September 30, 2011 and October 1, 2010, respectively. These expenses are recorded as part of selling, general and administrative expenses in the consolidated statements of operations.

Class B shares and equity awards subject to contingent redemption

The Company's SIP and DIP programs are subject to a contingent redemption feature relating to any potential future change in control of the Company. Among other provisions, this feature provides for the cash settlement of Shares and DSUs at fair value as of the date of the change in control. Until the change in control occurs (see Note 21), applicable accounting guidance requires recognition of Shares and earned DSUs as mezzanine equity, which the Company has presented as Class B shares and equity awards subject to contingent redemption on its consolidated balance sheets.

At September 30, 2011, the Company's mezzanine equity consisted of $22,857 related to DSUs, $13,668 related to the SIP equity offering and $1,100 related to the DIP equity offering.

17. Commitments and Contingencies

The Company is subject to various legal actions and proceedings in the normal course of business. Although litigation is subject to many uncertainties and the ultimate exposure with respect to these matters cannot be ascertained, the Company does not believe the final outcome of any current litigation will have a material effect on the Company's financial position, results of operations or cash flows.

The Company has purchase commitments for materials, supplies, and property, plant and equipment incidental to the ordinary conduct of business. In the aggregate, such commitments are not in excess of current market prices. Additionally, the Company normally commits to some level of marketing related expenditures that extend beyond the fiscal year. These marketing expenses are necessary in order to maintain a normal course of business and the risk associated with them is limited. It is not expected that these commitments will have a material effect on the Company's consolidated financial position, results of operations or cash flows.

In the fourth quarter of 2010, the Company concluded that it unconditionally pledged $6,000 to a charitable organization near its Sturtevant, Wisconsin headquarters, which it recognized as selling, general and administrative expense. The Company has made several installment payments in 2011, and expects to make the final installment in 2012.

In 2011, a subsidiary of the Company within the Americas segment was notified of a ruling by an administrative council regarding employment tax matters covering the years 2002 through 2006. While the Company believes it has defenses against these claims and other employment tax claims for the same period, and has accrued $1,100 for certain of these contingencies, the ultimate resolution of some of these matters could result in an additional loss of up to approximately $7,000.

Subsequent to September 30, 2011, the Company voluntarily instituted a program to recover a certain product previously sold to customers that do not meet the Company's quality specifications. The Company is currently evaluating the cause of this defect, remedies and any recourse it may have against the supplier. While the Company is currently unable to make a reasonable estimate for the amount of loss it will ultimately sustain and has not accrued for any losses related to this product recovery as of September 30, 2011, it believes that any such losses will not exceed $3,500.

The Company maintains environmental reserves for remediation, monitoring, assessment and other expenses at one of its domestic facilities. While the ultimate exposure at this site continues to be evaluated, the Company does not anticipate a material effect on its consolidated financial position, results of operations or cash flows.

In connection with the acquisition of the DiverseyLever business, the Company conducted environmental assessments and investigations at DiverseyLever facilities in various countries. These investigations disclosed the likelihood of soil and/or groundwater contamination, or potential environmental regulatory matters. The Company continues to evaluate the nature and extent of the identified contamination and is preparing and executing plans to address the contamination, including the potential to recover some of these costs from Unilever under the terms of the DiverseyLever purchase agreement. As of September 30, 2011, the Company maintained related reserves of $11,415 on a discounted basis (using country specific rates ranging from 7.68% to 16.22%) and $15,339 on an undiscounted basis. The Company intends to seek recovery from Unilever under indemnification clauses contained in the purchase agreement.

18. Japan Operations

Immediate impact of the disaster

On March 11, 2011, Japan suffered a significant natural disaster. The Company's Japan subsidiary sustained damage to inventories at one of its leased facilities and recorded estimated losses and other charges totaling $1,300 in the first quarter, of which $461 was reversed in the second quarter, as actual losses were ascertained to be less than the estimated amounts. Most of the loss was recorded in cost of sales in the consolidated statements of operations. The Company's Japan operations are based in Yokohama, which is approximately 150 miles from the damaged nuclear plant. Although the Company anticipates that a portion of these losses are covered by its insurance policies, it has not recorded any insurance recoveries as of September 30, 2011.

For the nine months ended September 30, 2011, the Company's Japan business had net sales of $232,068, and operating profit of $12,287.

Longer term potential business disruption impact

The disaster is currently causing an adverse effect on the Company's sales and operating profits in Japan for the current fiscal year. The Company currently is not able to provide a reliable estimate of the potential loss this year or in future years and whether these losses will be offset by business interruption insurance policies carried by the Company.

Goodwill impairment assessment

During the Company's 2010 impairment review, performed as of October 1, 2010, the Japan reporting unit had a fair value that exceeded its carrying value by 20%. The assumptions and estimates underlying fair value were determined with the assistance of a third party valuation firm and are subject to uncertainty. Failure of the Japanese business to realize financial forecasts or further weakening of the Japanese business environment, as a result of the disaster or other factors, could potentially impact the future recoverability of the $152,696 of goodwill held in our Japan reporting unit at September 30, 2011. The Company reviewed the events in Japan and based on qualitative and quantitative analyses performed as of September 30, 2011, including consideration of the Company's implied valuation under the terms of the Merger Agreement (Note 21), concluded that there was no indicator of impairment that would require a Step 1 test under *ASC 350, Intangibles – Goodwill and Other* to be performed. The Company believes that the disaster may have an adverse effect on its sales and operating profits in Japan for the current year. However, future effects are still not determinable, and it currently believes that the long term assumptions remain appropriate.

19. Segment Information

Business segment information is summarized as follows:

	Three Months Ended September 30, 2011					
	Europe	Americas	APAT	Japan	Eliminations/ Other [1]	Total Company
Net sales	$ 369,116	$ 239,238	$ 151,928	$ 78,475	$ (13,980)	$ 824,777
Operating profit	21,482	11,155	13,140	3,098	10,400	59,275
Depreciation and amortization	9,670	6,864	3,587	1,727	7,413	29,261
Interest expense	8,518	3,327	606	273	16,871	29,595
Interest income	215	494	616	36	(808)	553
Total assets	1,563,157	678,537	541,802	334,869	170,410	3,288,775
Goodwill	661,768	205,249	177,383	152,696	65,903	1,262,999
Capital expenditures, including capitalized computer software	14,813	8,787	5,093	837	796	30,326
Long-lived assets [2]	904,245	301,772	228,325	204,656	279,381	1,918,379

	Three Months Ended October 1, 2010					
	Europe	Americas	APAT	Japan	Eliminations / Other [1]	Total Company
Net sales	$ 347,438	$ 231,450	$ 138,911	$ 81,174	$ (15,401)	$ 783,572
Operating profit	46,411	22,169	13,977	6,798	(1,666)	87,689
Depreciation and amortization	10,271	5,971	3,440	1,720	8,508	29,910
Interest expense	12,105	4,457	395	257	21,186	38,400
Interest income	344	686	340	—	(740)	630
Total assets	1,620,554	599,407	559,260	313,022	319,844	3,412,087
Goodwill	660,860	210,707	189,586	141,062	66,131	1,268,346
Capital expenditures, including capitalized computer software	4,981	4,457	3,592	643	4,669	18,342
Long-lived assets [2]	895,547	305,696	240,667	188,605	302,491	1,933,006

[1] Eliminations/Other includes the Company's corporate operating and holding entities, discontinued operations and corporate level eliminations and consolidating entries.

[2] Long-lived assets includes property, plant and equipment, capital software, intangible items and investments in affiliates.

	Nine Months Ended September 30, 2011					
	Europe	Americas	APAT	Japan	Eliminations/ Other [1]	Total Company
Net sales	$1,117,682	$ 720,278	$ 444,258	$ 232,068	$ (49,749)	$2,464,537
Operating profit	73,128	61,346	40,604	12,287	3,458	190,823
Depreciation and amortization	29,414	18,712	10,785	5,396	23,196	87,503
Interest expense	26,136	11,410	1,369	781	57,183	96,879
Interest income	581	1,712	1,735	51	(2,317)	1,762
Total assets	1,563,157	678,537	541,802	334,869	170,410	3,288,775
Goodwill	661,768	205,249	177,383	152,696	65,903	1,262,999
Capital expenditures, including capitalized computer software	41,643	20,172	12,999	1,959	3,143	79,916
Long-lived assets [2]	904,245	301,772	228,325	204,656	279,381	1,918,379

	Nine Months Ended October 1, 2010					
	Europe	Americas	APAT	Japan	Eliminations / Other [1]	Total Company
Net sales	$1,042,431	$ 690,678	$ 409,351	$ 225,708	$ (42,619)	$2,325,549
Operating profit	116,905	66,817	39,601	13,094	(21,416)	215,001
Depreciation and amortization	30,007	17,698	10,184	4,995	21,216	84,100
Interest expense	33,480	13,346	1,193	794	59,495	108,308
Interest income	1,010	1,647	957	1	(2,104)	1,511
Total assets	1,620,554	599,407	559,260	313,022	319,844	3,412,087
Goodwill	660,860	210,707	189,586	141,062	66,131	1,268,346
Capital expenditures, including capitalized computer software	15,159	14,218	9,805	2,335	13,039	54,556
Long-lived assets [2]	895,547	305,696	240,667	188,605	302,491	1,933,006

[1] Eliminations/Other includes the Company’s corporate operating and holding entities, discontinued operations and corporate level eliminations and consolidating entries.

[2] Long-lived assets includes property, plant and equipment, capital software, intangible items and investments in affiliates.

20. European Principal Company

In May 2011, the Company approved, subject to successful works council consultations, plans to reorganize its European operations to function under a centralized management and value chain model. After completing the reorganization in 2012, the European Principal Company (“EPC”) will manage the European segment centrally. The European subsidiaries will execute sales and distribution locally, and local production companies will act as toll manufacturers on behalf of the EPC. The Company expects to incorporate the EPC in The Netherlands.

As part of the planning for this reorganization, the Company recognized non-recurring costs of $3,534 and $13,468 for the three and nine months ended September 30, 2011, respectively, which are classified in selling, general and administrative expenses in the consolidated statements of operations. In addition, the Company recognized capital expenditures of $6,233 and $14,911 for the three and nine months ended September 30, 2011, respectively, which are recorded as part of Property, Plant and Equipment. The Company also recorded restructuring and implementation liabilities of $0 and $2,430 for the three and nine months ended September 30, 2011, respectively.

21. Sealed Air Acquisition

On May 31, 2011, the Company, Sealed Air Corporation (“Sealed Air”) and Solution Acquisition Corp., a wholly-owned subsidiary of Sealed Air, entered into an Agreement and Plan of Merger (the “Merger Agreement”) under which Sealed Air acquired 100% of the common stock of the Company.

On October 3, 2011, pursuant to the terms of the Merger Agreement, Solution Acquisition Corp. was merged with and into the Company (the "Acquisition"), with the Company continuing as the surviving corporation and as a wholly owned subsidiary of Sealed Air. Pursuant to, and except as otherwise set forth in the Merger Agreement, as amended, each outstanding share of the common stock of the Company was converted into the right to receive approximately 0.294 of a share of common stock of Sealed Air and approximately $19.59 in cash, without interest. Also pursuant to the Merger Agreement, as amended, the Company issued 26,290 shares of series A preferred stock ("Preferred Stock Issuance") to Sealed Air for cash consideration received in the amount of $262.9 million.

In connection with the Acquisition, the Company used the proceeds of the Preferred Stock Issuance, new indebtedness and other funds from Sealed Air to repay or defease substantially all its existing indebtedness, in the amount of approximately $1.5 billion (see Note 7). The Company also incurred additional transaction costs of $23.8 million primarily related to legal and advisory fees, and additional compensation expense of $125.3 million resulting from the reinstatement and/or acceleration of certain vesting benefits, pursuant to the Company's stock-based compensation plans. Most of these costs were contingent upon the closing of the Acquisition and therefore were not recorded as of September 30, 2011.

The accompanying financial statements do not include any adjustments that may be necessary under purchase accounting, upon the consummation of the Acquisition, to reflect the impact of the transaction on the Company's financial position, liquidity or financial commitments.

Exhibit 99.3

Sealed Air

Sealed Air Corporation
200 Riverfront Boulevard
Elmwood Park, NJ 07407

Contact: Amanda Butler
201-791-7600

for release: December 19, 2011

SEALED AIR FILES FORM 8-K/A DETAILING PRELIMINARY PRO FORMA IMPACT OF DIVERSEY ACQUISITION

ELMWOOD PARK, N.J., Monday, December 19, 2011—Sealed Air Corporation (NYSE: SEE) today filed a Current Report on Form 8-K/A (the “8-K/A”, “filing”) with the U.S. Securities and Exchange Commission (SEC) which provides the pro forma combined financial statements for Sealed Air and Diversey for 2010 and the first nine months of 2011. We encourage you to review the detailed information provided in the Form 8-K/A, which is available on the SEC’s website at www.sec.gov and on our investor relations website at http://ir.sealedair.com.

This press release contains unaudited pro forma information and additional Non-U.S. GAAP information, which is provided for informational and illustrative purposes and is preliminary based on currently available information, which we believe is reasonable, but may be subject to change and differ materially from these statements. This pro forma information does not purport to project the future consolidated financial condition or results of operations for the combined company.

Financial Statements and Exhibits of Note

The following pro forma net earnings per share (EPS) and pro forma Adjusted EPS discussion references a revised pro forma Adjusted EPS calculation which excludes the combined company’s amortization of intangibles, non-cash interest expense, non-cash taxes and special items. We believe this revised Adjusted EPS definition helps management and investors better understand and evaluate the operating results and trends of the business. We believe that this metric, combined with other U.S. GAAP and non-U.S. GAAP metrics such as EBITDA, Adjusted EBITDA and Free Cash Flow will also aid in the comparison of our operating results with peers. For reporting consistency, we have elected to use our current free cash flow metric to convey cash financial results.

Earnings Per Share (EPS) and Adjusted Earnings Per Share (Adjusted EPS)

Our preliminary pro forma 2010 financial information includes an EPS of $0.59, or an Adjusted EPS of $1.77 per common share. The pro forma 2010 Adjusted EPS excludes $1.18 per common share relating to the amortization of intangible assets, non-cash interest expense, non-cash taxes and special items such as restructuring. (Please refer to the schedules included in this release for our reconciliation of U.S. GAAP to non-U.S. GAAP financial metrics.)

The pro forma financial statements also present EPS of $0.60 for the first nine months of 2011, or an Adjusted EPS of $1.25 per common share, which excludes approximately $0.65 per common share relating to similar items noted above.

The pro forma EPS results in both periods include the interest expense associated with the incremental debt incurred to finance the acquisition. The EPS impact of the new financings for the acquisition is estimated to have had a $1.12 per share impact for pro forma 2010 and a $0.84 per share impact for pro forma first nine months of 2011. Management is focused on realizing growth in EPS results and shareholder value by achieving growth plans, synergy targets, accelerated debt reduction and lower effective tax rates.

Net Earnings and Adjusted EBITDA

The preliminary pro forma 2010 financial statements present net earnings of $123 million. The preliminary pro forma 2010 Adjusted EBITDA would be $1,122 million or 14.8% of net sales, as compared to our initial Adjusted EBITDA estimate of $1,185 million or 15.6% of net sales provided June 8, 2011, primarily reflecting the harmonization to Sealed Air accounting policies. (Pro forma Adjusted EBITDA figures exclude synergies.) The variance of approximately $65 million is primarily due to a $36 million reclassification of Diversey customer equipment depreciation to align with Sealed Air accounting policies, $17 million of expense in SG&A relating to the issuance of cash-settled stock appreciation rights ("SARs") for select Diversey employees in connection with the acquisition, and approximately $10 million of net adjustments to Diversey's Credit Agreement EBITDA calculation (as defined in their public filings), which we would consider normal operating expenses and not applicable in the pro forma calculation of Adjusted EBITDA. The previous estimate for pro forma Adjusted EBITDA was based upon Diversey's calculation of Credit Agreement EBITDA, which was utilized as a covenant measure, and Sealed Air's Adjusted EBITDA metric, which is used as an operational performance measure.

The preliminary pro forma net earnings for the first nine months of 2011 is $126 million. Pro forma Adjusted EBITDA for the first nine months of 2011 is $820 million or 13.5% of net sales. (Please refer to the schedules included in this release for our reconciliation of U.S. GAAP to non-U.S. GAAP financial metrics.)

Depreciation and Amortization (D&A) and Purchase Accounting Adjustments

The preliminary pro forma financial statements present 2010 D&A of $339 million, which includes purchase accounting adjustments associated with the amortization of acquired intangible assets of $134 million, or $0.55 per share. The pro forma first nine months of 2011 D&A is reported as $246 million, which includes purchase accounting adjustments associated with the amortization of acquired intangible assets of $100 million, or $0.41 per share. Our preliminary 2012 estimate for D&A is $365 to $375 million.

Marketing Administrative and Development Expenses (SG&A)

The preliminary pro forma financial statements present expenses in SG&A relating to cash-settled stock appreciation rights ("SARs") issued to select Diversey employees in connection with the acquisition of $17 million for 2010 and $11 million for the first nine months of 2011. Since the SARs replacement awards are settled in cash, future SARs related expense may fluctuate primarily on changes in the assumptions used to value the SAR's which include our stock price, risk-free interest rates, participants' forfeiture rates and dividend yields. As a result, the SARs may have an unfavorable impact on our Adjusted EBITDA, EPS and Adjusted EPS results.

Tax Rates

The filing presents pro forma effective income tax rates, which we believe are not indicative of future rates. Additionally, we have provided our preliminary 2012 core tax rate estimate of 30%, which excludes the tax impact of special items such as restructuring and integration costs. At this time, we are not able to estimate our 2012 effective income tax rate including such items. We expect to achieve lower effective income tax rates over time due to U.S. debt reduction, planning, and the benefits of the European principal company structure (as described in Diversey's public filings), which we expect to launch in May 2012.

Business

Sealed Air is the new global leader in food safety and security, facility hygiene and product protection. With widely recognized and inventive brands such as Bubble Wrap® brand cushioning, Cryovac® brand food packaging solutions and Diversey® brand cleaning and hygiene solutions, Sealed Air offers efficient and sustainable solutions that create business value for customers, enhance the quality of life for consumers and provide a cleaner and healthier environment for future generations. On a pro forma basis, Sealed Air generated revenue of $7.6 billion in 2010 and has approximately 26,000 employees who serve customers in 175 countries. To learn more, visit www.sealedair.com.

Forward-Looking Statements

This press release and supplement contain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements can be identified by such words as "anticipates," "believes," "plan," "assumes," "could," "estimates," "expects," "intends," "may," "plans to," "will" and similar expressions. Examples of these forward-looking statements include preliminary 2012 financial performance projections for our core tax rate and depreciation and amortization, as well as our expectation of a cash tax benefit. These statements reflect our beliefs and expectations as to future events and trends affecting our business, our consolidated financial position and our results of operations. A variety of factors may cause actual results to differ materially from these expectations, including general domestic and European economic and political conditions affecting packaging utilization; changes in our raw material and energy costs; credit ratings; competitive conditions and contract terms; currency translation and devaluation effects, including Venezuela; the success of our financial growth, profitability and manufacturing strategies and our cost reduction and productivity efforts; the effects of animal and food-related health issues; pandemics; environmental matters; regulatory actions and legal matters; and the successful integration of Diversey following the acquisition. For more extensive information, see "Risk Factors" and "Cautionary Notice Regarding Forward-Looking Statements," which appear in our most recent Annual Report on Form 10-K, as filed with the Securities and Exchange Commission, and as revised and updated by our quarterly reports on Form 10-Q and current reports on Form 8-K. While we may elect to update these forward-looking statements at some point in the future, we specifically disclaim any obligation to do so, whether as a result of new information, future events, or otherwise.

Non-U.S. GAAP Information

In this press release we present financial information in accordance with generally accepted accounting principals in the United States of America ("U.S. GAAP"), and we present financial measures that do not conform to U.S. GAAP, which we refer to as non-U.S. GAAP. As discussed below, we provide this supplemental information 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, assessing financial performance, comparing our financial performance with our peers and as performance criteria for incentive compensation. Investors should use caution, however, when reviewing our non-U.S. GAAP presentations. 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 the similarly titled U.S. GAAP information and is not an indicator of our performance under U.S. GAAP. Further, non-U.S. GAAP financial measures that we present may not be comparable with similarly titled measures used by others.

Our management will assess our financial results, such as gross profit, operating profit and diluted net earnings per common share ("EPS") performance, both on a U.S. GAAP basis and on a non-U.S. GAAP basis. Examples of some other supplemental financial metrics our management will also use to assess our financial results include: EBITDA, Adjusted EBITDA and Adjusted EPS. These non-U.S. GAAP financial measures provide management with additional means to understand and evaluate the operating results and trends in our ongoing business by eliminating certain non-recurring expenses (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 competitors more difficult, obscure trends in ongoing operations or reduce management's ability to make useful forecasts.

The non-U.S. GAAP financial metrics mentioned above exclude items we consider unusual or special items and, in the case of Adjusted EPS, exclude the amortization of intangible assets, non-cash interest expense and non-cash taxes. We evaluate the 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 performance considers both the quantitative and qualitative aspects of the item, including, among other things (i) its size and 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. For purposes of determining non-U.S. GAAP financial performance, unusual or special items and their related tax effect are excluded. Further, the items excluded from these non-U.S. GAAP financial measures may also be excluded from the calculations of our performance measures set by the Organization and Compensation Committee of our Board of Directors for purposes of determining incentive compensation. Thus, our management believes that this information may be useful to investors.

Reconciliation of U.S. GAAP Pro Forma Combined Net Earnings to Non-U.S. GAAP Pro Forma Combined Adjusted Net Earnings

	Nine Months Ended September 30, 2011	Year Ended December 31, 2010
U.S. GAAP Pro Forma Combined Net Earnings	**$ 126.1**	**$ 123.2**
Pro forma combined company intangibles amortization expense (net of taxes of $15.4 million in 2011 and $20.7 million in 2010)	92.4	124.2
Pro forma combined company non-cash interest expense including accrued interest on the Settlement agreement (net of taxes of $0.9 million in 2011 and $1.2 million in 2010)	44.1	58.9
Pro forma combined company non-cash income taxes	(15.8)	10.1
Loss on debt redemption (net of taxes of $14.2 million)	—	24.3
Global manufacturing strategy and restructuring and other charges (net of taxes of $2.3 million)	—	5.1
European manufacturing facility closure charges (net of taxes of $2.1 million)	—	4.8
Gain on sale of available-for-sale securities, net of impairment (net of taxes of $2.2 million)	—	(3.7)
Diversey historical restructuring programs charges and other special items conformed to Sealed Air's policy for inclusion in adjusted net earnings (net of taxes of $11.0 million in 2011 and $22.3 million in 2010)	13.8	23.8
Pro forma combined company foreign currency exchange losses (gains) related to Venezuelan subsidiaries (net of taxes of $0.5 million in 2010)	—	(1.1)
Non-U.S. GAAP Pro Forma Combined Adjusted Net Earnings	**$ 260.6**	**$ 369.6**

Reconciliation of U.S. GAAP Pro Forma Combined Diluted Net Earnings per Common Share to Non-U.S. GAAP Pro Forma Combined Adjusted Diluted Net Earnings per Common Share

	Nine Months Ended September 30, 2011	Year Ended December 31, 2010
U.S. GAAP Pro Forma Combined Diluted Net Earnings per Common Share	**$ 0.60**	**$ 0.59**
Per diluted share impact of the following items:		
Pro forma combined company intangibles amortization expense	0.44	0.60
Pro forma combined company non-cash interest expense	0.21	0.28
Pro forma combined company non-cash income taxes	(0.07)	0.05
Loss on debt redemption	—	0.12
Global manufacturing strategy and restructuring and other charges	—	0.03
European manufacturing facility closure charges	—	0.02
Gain on sale of available-for-sale securities, net of impairment	—	(0.02)
Diversey historical restructuring programs charges and other special items conformed to Sealed Air's policy for inclusion in adjusted net earnings	0.07	0.11
Pro forma combined company foreign currency exchange losses (gains) related to Venezuelan subsidiaries	—	(0.01)
Non-U.S. GAAP Pro Forma Combined Adjusted Diluted Net Earnings per Common Share	**$ 1.25**	**$ 1.77**
Pro Forma Diluted Weighted-average shares outstanding	**209.2**	**208.4**

Reconciliation of Pro Forma Combined Net Earnings to Pro Forma Combined EBITDA and Pro Forma Combined Adjusted EBITDA

	Nine Months Ended September 30, 2011	Year Ended December 31, 2010
Pro Forma Combined Net Earnings	**$ 126.1**	**$ 123.2**
Pro forma combined interest expense	295.6	409.7
Pro forma combined income taxes	100.1	115.0
Pro forma combined depreciation and amortization (1)	245.7	339.0
Pro Forma Combined EBITDA	**$ 767.5**	**$ 986.9**
As a % of total net sales	*12.7%*	*13.0%*
Pro forma combined company share-based compensation expense (2)	$ 26.4	$ 42.9
Pro forma combined company foreign currency exchange losses (gains) related to Venezuelan subsidiaries	0.1	(1.6)
Sealed Air – European manufacturing facility closure charges	0.2	6.9
Sealed Air – Settlement agreement and related costs	0.8	0.6
Sealed Air – loss on debt redemption	—	38.5
Sealed Air – Global manufacturing strategy and restructuring and other charges	—	7.4
Sealed Air – gain on sale of available-for-sale securities, net of impairment	—	(5.9)
Diversey – historical restructuring programs charges and other one-time costs conformed to Sealed Air's policy for inclusion in the pro forma combined adjusted EBITDA (3)	24.8	46.1
Pro Forma Combined Adjusted EBITDA	**$ 819.8**	**$ 1,121.8**
As a % of total net sales	*13.5%*	*14.8%*

(1) Pro forma combined depreciation and amortization expense consists of:

	Nine Months Ended September 30, 2011	Year Ended December 31, 2010
Sealed Air depreciation and amortization expense as reported	$ 109.6	$ 154.7
Diversey depreciation and amortization expense as reported	87.5	116.8
Pro forma adjustments:		
Eliminate Diversey's historical amortization expense on intangible assets (4)	(26.7)	(36.1)
Reclassification of Diversey customer equipment depreciation due to policy harmonization	(29.4)	(36.0)
Depreciation and amortization on Diversey's property and equipment	31.4	44.7
Incremental depreciation expense on step-up of property and equipment	4.4	5.9
Pro forma Diversey depreciation and amortization on property and equipment	35.8	50.6
New amortization expense based on the preliminary fair value of intangible assets acquired	100.3	133.7
Pro forma Diversey total depreciation and amortization	136.1	184.3
Pro forma combined company depreciation and amortization expense	**$ 245.7**	**$ 339.0**

(2) Includes share-based compensation as reported for both companies. Does not include the incremental compensation expense related to the SARs since these awards are settled in cash.

(3) These amounts include certain historical adjustments previously included in Diversey's calculation of Credit Agreement EBITDA (as defined in their public filings). Diversey's Credit Agreement EBITDA was a financial measure that was used in the calculation of compliance with Diversey's previous financial covenants under their previous senior secured credit facilities. Diversey's senior secured credit facilities were terminated when we completed the acquisition, and accordingly Diversey's Credit Agreement EBITDA is no longer applicable to the combined company. As a result of our review of the calculation of Diversey's Credit Agreement EBITDA, we concluded that some of the adjustments included in that calculation are not applicable to our calculation of Adjusted EBITDA. Sealed Air's Adjusted EBITDA calculation is an operational measure and is among the various indicators used by our management to measure the performance of our operations and aid in the comparison with other periods. This operational measure is among the criteria upon which incentive compensation may be based. This calculation is not used in the calculation of compliance with our existing Credit Facility financial covenants.

(4) We do not anticipate this reclassification of Diversey's customer equipment depreciation due to policy harmonization, to have a material impact to the combined company's consolidated cash flows. Please refer to Note 3, "Accounting Policies" in the 8-K/A filing for further details.

Additional Information

Reconciliation of Pro Forma Combined Capital Expenditures

	Nine Months Ended September 30, 2011	Year Ended December 31, 2010
Sealed Air capital expenditures as reported	$ 78.1	$ 87.6
Diversey capital expenditures as reported	79.9	94.7
Pro forma adjustments:		
Eliminate Diversey's historical capital expenditures related to certain equipment leased to its customers in conformity with Sealed Air's policy	(32.8)	(37.3)
Eliminate Diversey's historical capital expenditures in conformity with other Sealed Air policies	(5.7)	(7.6)
Pro forma combined capital expenditures	**$ 119.5**	**$ 137.4**

Preliminary Pro Forma (PF) 2010 Data for Comparison in Cash Earnings Evaluations Presented in June 2011

($ millions, except share count)	***PF2010 – Provided December 2011 UPDATED***	***PF2010 – Provided June 2011***
PF Adjusted EBITDA *(excludes synergies)*	*$ 1,122*	*$ 1,185*
PF Cash interest expense	*$ 319*	*$ 300*
PF Cash taxes	*$ 105*	*$ 232*
PF Capital expenditures	*$ 137*	*$ 182*
PF Diluted share count	*208.4*	*209*

Exhibit 99.4

DIVERSEY BUSINESS

Business Overview

Diversey is a leading global provider of commercial cleaning, sanitation and hygiene products, services and solutions for food safety and service, food and beverage plant operations, floor care, housekeeping and room care, laundry, and hand care. In addition, Diversey offers a wide range of value-added services, including food safety and application training and consulting, and auditing of hygiene and water management. Diversey serves institutional and industrial end-users such as food service providers, lodging establishments, food and beverage manufacturing and processing plants, building service contractors, building managers and property owners, retail outlets, schools and health-care facilities in 175 countries worldwide either directly to end-users or through a network of distributors, wholesalers and third party intermediaries.

Diversey's management believes that Diversey is differentiated by its dosing, dispensing and concentrating formulas, as well as a global footprint that reaches a diverse customer base. Working in a highly fragmented industry, Diversey has a balance of direct selling capabilities as well as a global and regional distribution network that, management believes, reaches thousands of end-use customers. Diversey has invested in research that helps it understand its customers and the industries in which they operate, which, Diversey's management believes, positions Diversey as an innovator and strong collaborative partner while also deepening its customer relationships and driving growth.

The global sustainability movement is expected to be a long-term driver of growth in Diversey's industry, as customers seek products and expertise that reduce their environmental profile while also providing clean, hygienic facilities that reduce the risk of human and food-borne infection. Consistent with this movement, Diversey's purpose, which reflects its long-held values, is to protect lives, preserve the Earth and transform its industry.

Diversey has geographically diversified sales, and it believes that it holds the #1 or #2 market position in each of the five key geographic regions it serves: Europe, Middle East and Africa (EMEA), North America, Latin America, Asia Pacific and Japan. For the year ended December 31, 2010, Diversey had net sales of $3.127 billion.

Products and Services

As the nature of Diversey's business is generally similar across its geographic regions, the following description of Diversey's business and competitive environment is intended to be representative of all of its regions unless specifically stated otherwise.

Diversey offers a wide range of products and services designed primarily for use in five application categories: food service, food and beverage manufacturing and processing, floor care, restroom care and other housekeeping, and laundry. Many of Diversey's products are consumable and require periodic replacement, which generates recurring revenue and helps provide consistency in its business.

Diversey's enduring commitment to sustainable business practices motivates it to find ways to help its customers make their own businesses more sustainable and profitable. Diversey's extensive suite of products, services and solutions improves its customers' operational efficiency as well as their cleaning, sanitizing and hygiene results, which Diversey believes assists them in protecting their brands. Diversey also helps its customers achieve their goals of reducing waste, energy and water consumption, and is able to provide documented analysis of the cost and resource savings they can achieve by implementing its solutions.

Food Service. Food Service products remove soil and address microbiological contamination on food contact surfaces. Diversey's food service products include chemicals for washing dishes, glassware, flatware, utensils and kitchen equipment; dish machines; pre-rinse units; dish tables and racks; food handling and storage products; and safe floor systems and tools. Diversey also manufactures and supplies kitchen cleaning products, such as general purpose cleaners, lime scale removers, bactericides/disinfectants, detergents, oven and grill cleaners, general surface degreasers, floor cleaners and food surface disinfectants. Through a relationship with Cintas Corporation, Diversey provides application expertise and a food service portfolio under Cintas' Signet™ brand. In addition, Diversey provides customers with expertise to execute cleaning and hygiene programs. These applications are sold into a variety of customer sectors, including Food Service.

Food and Beverage Manufacturing and Processing. Food and Beverage Manufacturing and Processing products include detergents, cleaners, sanitizers and lubricants, as well as cleaning systems, electronic dispensers and chemical injectors for the application of chemical products and improvement of operational efficiency and sanitation. Diversey also offers gel and foam products for manual open plant cleaning, acid and alkaline cleaners and membrane cleaning products. In addition, Diversey provides consulting services in the areas of food safety, water and energy use reduction and quality management. Food and Beverage Manufacturing and Processing customers make up one of Diversey's largest customer sectors.

Floor Care. Diversey manufactures a broad range of floor care products and systems, including finishes, waxes, cleaners, degreasers, polishes, sealers and strippers for all types of flooring surfaces, including vinyl, terrazzo, granite, concrete, marble, linoleum and wood. Diversey also provides a full range of carpet cleaners, such as extraction cleaners and shampoos; carpet powders; treatments, such as pre-sprays and deodorizers; and a full line of carpet spotters. Diversey's range of products also includes carpet cleaning and floor care machines, as well as utensils and tools, which support the cleaning and maintenance process. Among the product brands are TASKI® floor care machines and Signature® floor finish. These products are sold primarily into the Building Management, Retail, Lodging and Health Care customer sectors.

Restroom Care and Other Housekeeping. Diversey offers a fully integrated line of products and dispensing systems for hard surface cleaning, disinfecting and sanitizing, hand washing and air deodorizing and freshening. Diversey's restroom care and other housekeeping products include bowl and hard surface cleaners, hand soaps, sanitizers, air care products, general purpose cleaners, disinfectants and specialty cleaning products. Among the product brands are Suma®, Clax®, J-Flex™ and Oxivir®. These products are sold into the Food Service, Building Management, Retail, Lodging and Health Care customer sectors.

Laundry. Diversey offers detergents, stain removers, fabric conditioners, softeners and bleaches in liquid, powder and concentrated forms to clean items such as bed linen, clothing and table linen. Diversey's range of products covers requirements of fabric care from domestic-sized machines in small lodging facilities to washers in commercial laundry facilities. Diversey also offers customized washing programs for different levels and types of soils, a comprehensive range of dispensing equipment and a selection of process control and management information systems. Through a joint venture with Standard Textile Company, Diversey provides a commercial laundry application that combines a unique activator unit with proprietary chemistry to deliver a fully integrated cleaning and sanitizing solution. Leading brands include Clax®, Suma® and Proteus™. These products are sold primarily into the Lodging and Health Care customer sectors.

End-Users and Customers

Diversey offers its products directly or through third-party distributors to end-users in seven sectors — food service, lodging, retail, health care, building managers/service contractors, food and beverage and other. During fiscal year 2010, no single customer represented more than 4% of Diversey's global consolidated net sales.

Food Service. End-users include fast food and full-service restaurants as well as contract caterers.

Lodging. Diversey serves many of the largest hotel chains in the world as well as local independent properties and regional chains.

Retail. Retail end-users include supermarkets, drug stores, discounters, hypermarkets and wholesale clubs.

Health Care. These customers include both public and private hospitals, long-term care facilities and other facilities where medical services are performed.

Building Managers/Service Contractors. These end-users include building owners/managers as well as building service contractors. Contractors clean, maintain and manage office buildings, retail stores, health care facilities, production facilities, and education and government institutions.

Food and Beverage. Food and Beverage end-users include dairy plants, dairy farms, breweries, soft-drink and juice bottling plants, protein and processed food production facilities, and other food processors.

In addition, Diversey serves customers in cash and carry establishments, industrial plants and laundries. Cash and carry establishments are stores in which professional end-users purchase products for their own use.

Competition

Diversey estimates that the global market for institutional and industrial cleaning, sanitation and hygiene products and related services had industry-wide sales of approximately $40 billion in 2010. The market is highly diversified across geographic regions, products and services, end markets and customers. Diversey believes the industry has demonstrated stable growth trends over time due to its broad end-market diversification, the consumable and recurring nature of its products and services and base demand driven by governmental and regulatory requirements and consumer expectations for cleanliness. More recently, market growth has been driven by a number of factors, including increasing food safety regulation and heightened public awareness of health, hygiene and infection risk. Highly publicized food contamination incidents and global health threats, such as the H1N1 virus and E-Coli outbreaks, serve to accelerate this awareness, which Diversey expects to continue to drive demand in the future.

Diversey's business has two primary types of competitors: a single global competitor and numerous smaller competitors with generally more limited geographic, end-market or product scope. Diversey's primary global competitor is Ecolab, Inc., which is the largest supplier in the global market for institutional and industrial cleaning, sanitation and hygiene products and related services, mainly as a result of its significant presence in the U.S. health and hospitality market. Outside the United States, Diversey has either equal or greater market share in most regions. Diversey believes that the numerous smaller competitors in its industry account for more than 75% of the global market. Diversey faces significant competition from numerous national, regional and local companies within some or all of its product lines in each sector that it serves. Other competitors in the market include 3M, The Procter & Gamble Company and The Clorox Company, which sell into the institutional sector from their bases in consumer products, Kimberly-Clark Corporation, which has expanded from paper accessories into personal care and washroom products, and Tennant Company, Nilfisk-Advance A/S, and Newell Rubbermaid Inc., which supply floor care machines, tools and equipment.

Diversey believes that it competes largely on the basis of our premium product offerings and application expertise, innovative product and dispensing equipment offerings, value-added solution delivery and strong customer service and support. Diversey seeks to differentiate itself from its competitors in its strategic sectors by becoming the preferred partner to customers, and providing innovative, industry-leading products to make their facilities safer and healthier for the workers who clean them and the people who occupy them. Diversey believes the quality, ease of use and environmental profile of its products are competitive strengths. In addition, Diversey has long-standing, profitable relationships with many of its top customers. Diversey's global reach and sales and service capabilities also give it a strong competitive advantage over smaller, regional and local players in the industry.

Sales and Marketing

Diversey sells its products and systems in domestic and international markets through company-trained sales and service personnel, who also advise and assist customers in the proper and efficient use of products and systems in order to meet a full range of cleaning, sanitation and hygiene needs. Diversey sells its products in 175 countries either directly to end-users or through a network of distributors, wholesalers and third-party intermediaries. Diversey employs a direct sales force to market and sell its products and estimates that approximately 6,500 employees work in a customer-facing role. Diversey contracts with local third-party distributors on an exclusive and non-exclusive basis. Diversey estimates that direct sales to end-users by our sales force typically account for more than half of its net sales.

In all customer sectors, the supply of cleaning, hygiene, operational efficiency and appearance enhancing products involves more than the physical distribution of chemicals and equipment. Customers may contract for the provision of a complete hygiene system, which includes products as well as safety and application training, hygiene consulting, hygiene auditing and after-sales services. Diversey employs specialized sales people who are trained to provide these specific services and, through its tailored cleaning solutions approach, Diversey is able to better address the specific needs of these customers.

Raw Materials

Suppliers provide raw materials, packaging components, equipment, accessories and contract manufactured goods. The key raw materials Diversey uses in its business are caustic soda, solvents, waxes, phosphates, surfactants, polymers and resins, chelates and fragrances. Packaging components include bag-in-the-box containers, bottles, corrugated boxes, drums, pails, totes, aerosol cans, caps, triggers and valves. Equipment and accessories include dilution control, ware washing and laundry equipment, floor care machines, air care dispensers, floor care applicators, mops, microfiber, buckets, carts and other items used in the maintenance of a facility.

Supply Chain

Diversey believes that the vast majority of its raw materials required for the manufacture of its products and all components related to its equipment and accessories are available from multiple sources and are available in amounts sufficient to meet its manufacturing requirements. Due to by-product/co-product chemical relationships to the automotive and housing markets, several materials will continue to be difficult to source. Although Diversey purchases some raw materials under long-term supply arrangements with third parties, these arrangements follow market forces and are in line with its overall global sourcing strategy, which seeks to balance cost of acquisition and availability of supply.

Foreign Operations

Diversey conducts business operations through its subsidiaries in Europe, North America, Japan, Latin America and Asia Pacific. Approximately 84% of Diversey’s net sales for the year ended December 31, 2010 were generated outside the United States. Because Diversey’s business has significant manufacturing operations, sales offices and research and development activities in foreign locations, fluctuations in currency exchange rates may have a significant impact on Diversey’s consolidated financial statements.

In addition, Diversey’s foreign operations may be subject to a number of risks and limitations, including: exchange control regulations, wage and price controls, employment regulations, regulatory approvals, foreign investment laws, import and trade restrictions and governmental instability.

Intellectual Property

Diversey has approximately 1,506 issued patents (with another 605 patent applications pending) and approximately 7,134 trademark registrations around the world (785 pending applications) which, along with trade secrets and manufacturing know-how, help support Diversey’s ability to add value within the market and sustain its competitive advantages. Diversey uses internal and external resources to carefully manage its intellectual property portfolio and looks to actively defend its intellectual property rights throughout the world. The success and ability of Diversey to compete depend to a certain degree on the protection of its process innovation and other intellectual property. Diversey actively looks to enforce patents, license patents (in and out), acquire patents, and invalidate patents of questionable validity. Diversey performs internal analysis to decide whether to sue for patent infringements, initiate opposition procedures, or counteractions or buy patents and sign license agreements for the use of foreign patents.

Diversey strategically manages its portfolio of intellectual property through various processes and committees. Its patents and trade secrets are managed through a process called Intellectual Asset Management. This process was adopted based upon best practices utilized by other companies such as Kimberly-Clark, Halliburton and Dow Chemicals. This process utilizes several cross-functional committees to manage Diversey’s intellectual assets to:

1. Build a portfolio of intellectual assets (patents, trade secrets, etc.) that support the goals of the business; and

2. Effectively manage the portfolio for superior return on investment.

This Intellectual Asset Management process was implemented in 2008. To date, Diversey has been able to reduce the size of its patent portfolio by about 25% by eliminating assets that do not support the objectives identified above. Similarly, the implementation of this process has also resulted in a greater than 30% reduction in spend with outside counsel on non-strategic assets, allowing Diversey to reinvest these savings into new, more strategic intellectual property.

Diversey has a well defined Open Innovation process to help find key technologies for its markets while at the same time of minimizing the risk of receiving external ideas. As a result of external partnering through Open Innovation, Diversey currently licenses patents and related know-how from several external entities. Diversey has also obtained licenses and/or covenants not to sue from third parties to settle disputes. Diversey also licenses technology to others. Typically, Diversey cross-licenses its IP to discourage litigation.

Under the BLA, Diversey is granted a license in specified territories to sell certain SCJ products, and to use the name “Johnson” in combination with its owned trade name “Diversey” in its business. The term of the BLA ends May 2, 2017. Thereafter, the BLA can be renewed, with SCJ’s consent, for successive one-year terms. Diversey’s license to use the housemark “JohnsonDiversey” will expire on the earlier of its transition to the “Diversey” name in the relevant region or August 2, 2012. See “Certain Relationships and Related Party Transactions — Relationships with SCJ — License Agreements.”

In connection with the DiverseyLever acquisition in May 2002, Diversey entered into several license agreements with Unilever, under which Unilever granted Diversey a license of specified trademarks, patents, design rights, copyrights and know-how used in the DiverseyLever business that were retained by Unilever, and Diversey granted a license to Unilever to use specified intellectual property rights and patents and registered designs that were transferred to Diversey in the acquisition. The licenses granted under these agreements generally terminate with the expiration of the particular patent or design right or upon termination by the licensee in the case of copyrights or know-how, unless terminated earlier.

Research and Development

Innovative technologies and manufacturing expertise are important to Diversey’s business. Through its research, Diversey aims to develop new, more innovative and competitive products, applications, services and processes while providing technical assistance to customers helping them improve their operations. In particular, Diversey’s ability to compete effectively is materially dependent on the integration of proprietary technologies with its knowledge of the applications served. Diversey conducts most of its research and development activities at its research facilities located in Sturtevant, Wisconsin, Santa Cruz, California, Utrecht, the Netherlands, Mannheim, Germany, Muenchwilen, Switzerland, Sherwood Park, UK, Mumbai, India, Yokohama, Japan, and Sao Paulo, Brazil. Diversey also has specialized product and application support centers throughout the globe. In addition, Diversey we has entered into a technology disclosure and license agreement with SCJ, under which each party may disclose to the other new technologies that it develops internally, acquires or licenses from third parties.

Substantially all of Diversey’s principal products have been sourced and/or developed by its research and development and engineering personnel. Research and development expenses were $65.7 million, $63.3 million and $67.1 million, respectively, for the fiscal years ended December 31, 2010, December 31, 2009 and December 31, 2008.

History and Recent Transactions

In anticipation of the acquisition of the DiverseyLever business (as more fully described below), Diversey Holdings Inc. was incorporated in the State of Delaware in November 2001 under the name Johnson Professional Holdings, Inc. Following the acquisition, the company changed its name from Johnson Professional Holdings, Inc. to “JohnsonDiversey Holdings, Inc.” On March 1, 2010, as part of the Recapitalization Transactions (as more fully described below), Diversey Holdings, Inc. changed its name from “JohnsonDiversey Holdings, Inc.” to “Diversey Holdings, Inc,” and Diversey Inc. changed its name from “JohnsonDiversey, Inc.” to “Diversey Inc.” Diversey Holdings, Inc. owns all of the outstanding stock of Diversey Inc.

Diversey Inc. was incorporated in Delaware in February 1997, under the name S.C. Johnson Commercial Markets, Inc. From February 1997 until November 1999, Diversey Inc. was a wholly-owned subsidiary of SCJ, a leading provider of innovative consumer home cleaning, maintenance and storage products founded by Samuel Curtis Johnson in 1886. In November 1999, Diversey Inc. was separated from SCJ in a tax-free spin-off. In connection with the spin-off, Commercial Markets Holdco, LLC, a limited liability company that is majority-owned by descendants of Samuel Curtis Johnson (“CMH”), obtained substantially all of the shares of Diversey Inc.’s common stock from SCJ and, in November 2001, contributed those shares to Johnson Professional Holdings, Inc., a wholly-owned subsidiary of CMH.

In May 2002, Diversey Inc. acquired the DiverseyLever business, an institutional and industrial cleaning and sanitation business, from Conopco, a wholly-owned subsidiary of Unilever. In connection with the acquisition, Unilever acquired a one-third interest in Diversey Holdings, Inc., and CMH retained the remaining two-thirds interest. At the closing of the acquisition, Diversey Inc. entered into a master sales agency agreement (“Prior Agency Agreement”) with Unilever whereby Diversey Inc. was appointed Unilever’s exclusive agent to sell its consumer branded products, a business Diversey did not acquire, to institutional and industrial customers. In October 2007, the Prior Agency Agreement with Unilever, which expired in December 2007, was replaced by the “Umbrella Agreement”, which covers: (1) the New Agency Agreement with terms similar to the Prior Agency Agreement, covering Ireland, the United Kingdom, Portugal and Brazil, and (2) a master sub-license agreement (“License Agreement”), under which Unilever has agreed to grant 31 of Diversey’s subsidiaries a license to produce and sell professional size packs of Unilever’s consumer brand cleaning products. The entities covered by the License Agreement have also entered into agreements with Unilever to distribute Unilever’s consumer branded products. Except for some transitional arrangements in certain countries, the Umbrella Agreement became effective January 1, 2008, and, unless otherwise terminated or extended, will expire on December 31, 2017.

In June 2006, Diversey Inc. completed the sale of the Polymer Business to BASF.

On October 7, 2009, Diversey Holdings, Inc. and Diversey Inc. entered into a series of agreements to recapitalize the company. The transactions contemplated by the terms of these agreements (the “Recapitalization Transactions”) included the following:

- the recapitalization of Diversey Holdings, Inc.’s capital stock pursuant to the Investment and Recapitalization Agreement by and among Diversey Holdings, Inc., CDR Jaguar Investor Company, LLC (“CD&R Investor”), which is owned by a private investment fund managed by Clayton, Dubilier & Rice, LLC (“CD&R”), CMH and SNW Co., Inc. (“SNW”), which is an affiliate of SCJ, pursuant to which:

    (1) the certificate of incorporation of Diversey Holdings, Inc. was amended and restated at the closing of the Recapitalization Transactions to, among other things, reclassify the common stock of Diversey Holdings, Inc. such that (a) the outstanding class A common stock of Diversey Holdings, Inc. was reclassified as new class A common stock, which have voting rights, and (b) the outstanding class B common stock of Diversey Holdings, Inc. was reclassified as new class B common stock, which do not have voting rights except to the extent required by Delaware law;

    (2) new class A common stock of Diversey Holdings, Inc. representing approximately 45.9% of the outstanding common stock of Diversey Holdings, Inc. (immediately after giving effect to the Recapitalization Transactions and assuming the exercise of the Warrant (as described below)) was issued to CD&R Investor and its affiliate, CD&R F&F Jaguar Investor, LLC in exchange for approximately $477 million in cash;

(3) pursuant to the amended and restated certificate of incorporation of Diversey Holdings, Inc., the shares of outstanding class A common stock of Diversey Holdings, Inc. held by CMH was reclassified, without any action on the part of CMH, as new class A common stock of Diversey Holdings, Inc. representing approximately 49.1% of the outstanding common stock of Diversey Holdings, Inc. (immediately after giving effect to the Recapitalization Transactions and assuming the exercise of the Warrant); and

(4) new class A common stock of Diversey Holdings, Inc. representing approximately 1.0% of the outstanding common stock of Diversey Holdings, Inc. (immediately after giving effect to the Recapitalization Transactions and assuming the exercise of the Warrant) was issued to SNW in exchange for approximately $9.9 million in cash;

- the repurchase of all of the common equity ownership interests of Diversey Holdings, Inc. then held by Marga B.V. ("Marga"), which is an affiliate of Unilever, and its affiliates pursuant to the Redemption Agreement by and among Diversey Holdings, Inc., Diversey, CMH, Unilever, Marga and Conopco, in exchange for:

(1) cash equal to $390.5 million and the settlement of certain amounts owed by Unilever and its affiliates to Diversey Holdings, Inc. and its affiliates, and owed to Unilever and its affiliates by Diversey Holdings, Inc. and its affiliates, including CMH; and

(2) a warrant (the "Warrant") issued by Diversey Holdings, Inc. to an affiliate of Unilever to purchase shares of new class A common stock of Diversey Holdings, Inc. representing 4.0% of the outstanding common stock of Diversey Holdings, Inc. (immediately after giving effect to the Recapitalization Transactions and assuming the exercise of the Warrant);

- the termination of the purchase agreement, dated as of November 20, 2001, as amended (the "Unilever Acquisition Agreement"), among Diversey Holdings, Inc., Diversey Inc. and Conopco, dated as of November 20, 2001, as amended, pursuant to which Diversey Inc. acquired the DiverseyLever business, and all obligations thereunder, other than certain tax and environmental indemnification rights and obligations;
- following the closing of the Recapitalization Transactions, the entry into new compensation arrangements with the officers and senior management team of Diversey Holdings, Inc. and Diversey Inc. that provide for, among other things, the purchase or award of new class B common stock of Diversey Holdings, Inc. and options to purchase new class B common stock of Diversey Holdings, Inc. representing in the aggregate up to approximately 12.0% of the outstanding common stock of Diversey Holdings, Inc. at the closing of the Recapitalization Transactions;
- the amendment and restatement of certain commercial agreements between SCJ and Diversey Inc., including a license to use certain SCJ brand names and technology and a lease with SCJ for Diversey's Waxdale manufacturing facility in Sturtevant, Wisconsin, and the amendment of certain commercial agreements between Unilever and Diversey Inc.; and
- the refinancing of certain of Diversey Holdings, Inc.'s and Diversey Inc.'s then-outstanding debt obligations, including:

(1) the repurchase or redemption by Diversey Inc. of both series of its then-outstanding 9.625% senior subordinated notes due 2012 and by Diversey Holdings, Inc. of its outstanding 10.67% senior discount notes due 2013;

(2) the repayment of all outstanding obligations under Diversey Inc.'s then-existing senior secured credit facilities;

(3) the entry into new $1.25 billion senior secured credit facilities (the "Diversey Senior Secured Credit Facilities");

(4) the issuance and sale by Diversey Inc. of a new series of $400 million of 8.25% Senior Notes due 2019; and

(5) the issuance and sale by Diversey Holdings, Inc. of a new series of $250 million of 10.50% Senior Notes due 2020.

The closing of the Recapitalization Transactions occurred on November 24, 2009.

Employees

As of June 30, 2011, Diversey had approximately 10,500 employees, of which about 1,350 were located in the United States.

None of Diversey's employees in the United States is covered by a collective bargaining agreement. In Europe, a significant portion of Diversey's employees are represented by labor unions and are covered by collective bargaining agreements. Collective bargaining agreements are generally renewable on an annual basis. In several European countries, local co-determination legislation or practice requires employees of companies that are over a specified size, or that operate in more than one European country, to be represented by a works council. Works councils typically meet between two and four times a year to discuss management plans or decisions that impact employment levels or conditions within the company, including closures of facilities. Certain employees in Australia, Canada, Japan, Latin America, New Zealand and South Africa also belong to labor unions and are covered by collective bargaining agreements. Local employment legislation may impose significant requirements in these and other jurisdictions.

Diversey believes that it has a satisfactory working relationship with organized labor and employee works councils around the world, and has not had any major work stoppages since its incorporation in 1997.

Environmental Regulation

Diversey's operations are regulated under a number of federal, state, local and foreign environmental, health and safety laws and regulations that govern, among other things, the discharge of hazardous materials into the air, soil and water as well as the use, handling, storage and disposal of these materials. These laws and regulations include the Clean Air Act, the Clean Water Act, the Resource Conservation and Recovery Act, and the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"), as well as analogous state, local and foreign laws. Compliance with these environmental laws is a major consideration for Diversey because it uses hazardous materials in some of its manufacturing processes. In addition, because Diversey is a generator of hazardous wastes, Diversey, along with any other person who disposes or arranges for the disposal of its wastes, may be subject to financial exposure for costs associated with an investigation and any remediation of sites at which Diversey has disposed or arranged for the disposal of hazardous wastes if those sites become contaminated, even if it fully complied with applicable environmental laws at the time of disposal. Furthermore, process wastewater from its manufacturing operations is discharged to various types of wastewater management systems. Diversey may incur significant costs relating to contamination that may have been, or is currently being, caused by this practice. Diversey is also subject to numerous federal, state, local and foreign laws that regulate the manufacture, storage, distribution and labeling of many of its products, including some of its disinfecting, sanitizing and antimicrobial products. Some of these laws require Diversey to have operating permits for its production facilities, warehouse facilities and operations, and Diversey may not have some of these permits or some of the permits it has may not be current. In the event of a violation of these laws, Diversey may be liable for damages and the costs of remedial actions and may also be subject to revocation, non-renewal or modification of its operating and discharge permits, and revocation of product registrations. Any revocation, non-renewal or modification may require Diversey to cease or limit the manufacture and sale of products at one or more of its facilities and may have a material adverse effect on its business, financial condition, results of operations and cash flows. In addition, legislation or regulations restricting emissions of greenhouse gases and Diversey's need to comply with such legislation or regulations could affect its business, financial condition, results of operation or cash flows. Environmental laws may also become more stringent over time, imposing greater compliance costs and increasing risks and penalties associated with any violation, which also may have a material adverse effect on Diversey's business, financial condition, results of operations and cash flows.

Environmental regulations most significant to Diversey are summarized below:

Toxic Substances

Diversey is subject to various federal, state, local and foreign laws and regulations governing the production, transport and import of industrial chemicals. Notably, the Toxic Substances Control Act gives the U.S. Environmental Protection Agency ("EPA"), the authority to track, test and/or ban chemicals that may pose an environmental or human-health hazard. Diversey is required to comply with certification, testing, labeling and transportation requirements associated with regulated chemicals. To date, compliance with these laws and regulations has not had a material adverse effect on Diversey's business, financial condition, results of operations or cash flows.

Pesticide Regulation

Some of Diversey's facilities are subject to various federal, state, local and foreign laws and regulations governing the manufacture and/or use of pesticides. Diversey manufactures and sells certain disinfecting and sanitizing products that kill micro-organisms, such as bacteria, viruses and fungi. These products are considered "pesticides" or "antimicrobial pesticides" and, in the United States, are governed primarily by the Federal Insecticide, Fungicide and Rodenticide Act, as amended by the Food Quality Protection Act of 1996. To register these products, Diversey must meet various efficacy, toxicity and labeling requirements and must pay initial and ongoing registration fees. In addition, some states or foreign jurisdictions may impose taxes on sales of pesticides. Although the cost of maintaining and delays associated with pesticide registration have increased in recent years, compliance with the various laws and regulations governing the manufacture and sale of pesticides has not had a material adverse effect on Diversey's business, financial condition, results of operations or cash flows.

Ingredient Regulation

Numerous federal, state, local and foreign laws and regulations relate to the sale of products containing ingredients that may impact human health and the environment. Specifically, the State of California has enacted Proposition 65, which requires Diversey to disclose specified listed ingredient chemicals on the labels of its products. To date, compliance with these laws and regulations has not had a material adverse effect on Diversey's business, financial condition, results of operations or cash flows.

Other Environmental Regulation

Many of Diversey's facilities are subject to various federal, state, local or foreign laws and regulations governing the discharge, transportation, use, handling, storage and disposal of hazardous substances. In the United States, these statutes include the Clean Air Act, the Clean Water Act and the Resource Conservation and Recovery Act. Diversey is also subject to the Superfund Amendments and Reauthorization Act of 1986, including the Emergency Planning and Community Right-to-Know Act, which imposes reporting requirements when toxic substances are released into the environment. In Europe, Diversey is subject to portions of the compliance obligations under the EU European Community Directive "Registration, Evaluation, Authorization, and Restriction of Chemicals" (EU Directive No. 2006/1907). The directive imposes several requirements related to the identification and management of risks related to chemical substances manufactured or marketed in Europe. Diversey's compliance obligations are mostly associated with the use of chemicals versus manufacture. Each year Diversey makes various capital investments and expenditures necessary to comply with applicable laws and regulations and satisfy its environmental stewardship principles. To date, these investments and expenditures have not had a material adverse effect on Diversey's business, financial condition, results of operations or cash flows.

Environmental Remediation and Proceedings

Diversey may be jointly and severally liable under CERCLA or its state, local or foreign equivalent for the costs of environmental contamination on or from its properties and at off-site locations where Diversey disposed of or arranged for the disposal or treatment of hazardous wastes. Generally, CERCLA imposes joint and several liability on each potentially responsible party ("PRP"), that actually contributed hazardous waste to a site. Customarily, PRPs will work with the EPA to agree on and implement a plan for site investigation and remediation. Based on Diversey's experience with these environmental proceedings, its estimate of the contribution to be made by other PRPs with the financial ability to pay their shares, and its third party indemnification rights at certain sites (including indemnities provided by Unilever and SCJ), Diversey believes that its share of the costs at these sites will not have a material adverse effect on its business, financial condition, results of operations or cash flows.

In addition to the liabilities imposed by CERCLA or its state, local or foreign equivalent, Diversey may be liable for costs of investigation and remediation of environmental contamination on or from its current or former properties or at off-site locations under numerous other federal, state, local and foreign laws. Diversey's operations involve the handling, transportation and use of numerous hazardous substances. Diversey is aware that there is or may be soil or groundwater contamination at some of its facilities resulting from past or current operations and practices. Based on available information and its indemnification rights, explained below, Diversey believes that the costs to investigate and remediate known contamination at these sites will not have a material adverse effect on its business, financial condition, results of operations or cash flows. In many of the foreign jurisdictions in which Diversey operates, however, the laws that govern its operations are still undeveloped or evolving.

Many of the environmental laws and regulations discussed above apply to properties and operations of the DiverseyLever business that Diversey acquired from Conopco in May 2002. Under the acquisition agreement related to this transaction, Unilever made certain representations and warranties to Diversey with respect to the DiverseyLever business and agreed to indemnify Diversey for damages in respect of breaches of its warranties and for specified types of environmental liabilities if the aggregate amounts of damages meet various dollar thresholds. Unilever will not be liable for any damages resulting from environmental matters, (1) in the case of known environmental matters or breaches, that are less than $250,000 in the aggregate, and (2) in the case of unknown environmental matters or breaches, that are less than $50,000 individually and $2 million in the aggregate. In the case of clause (1) above, Diversey will bear the first $250,000 in damages. In the case of clause (2) above, once the $2 million threshold is reached, Unilever will not be liable for any occurrence where the damages are less than $50,000 or for the first $1 million of damages that exceed the $50,000 per occurrence threshold. In no event will Unilever be liable for any damages arising out of or resulting from environmental claims that exceed $250 million in the aggregate.

All indemnity obligations under the acquisition agreement related to the acquisition of the DiverseyLever business, other than environmental and tax matters, were terminated upon closing of the Recapitalization Transactions. The environmental and tax indemnity obligations thereunder of each of Diversey and Unilever will continue to survive in accordance with the terms of the acquisition agreement. Thus, environmental claims made by Diversey against Unilever prior to May 3, 2008 will continue to survive. On the other hand, Unilever has not made an environmental claim against Diversey and its environmental indemnity obligations to Unilever under such agreement expired on May 3, 2008. Unilever has not made any tax indemnity claims against Diversey under such agreement.

Diversey has tendered various environmental indemnification claims to Unilever in connection with former DiverseyLever locations. Unilever has not indicated its agreement with Diversey's requests for indemnification. Diversey may file additional requests for reimbursement in the future in connection with pending indemnification claims. Diversey has recorded environmental remediation liabilities for which it intends to seek recovery from Unilever (see Note 27 to Diversey's 2010 audited consolidated financial statements) However, there can be no assurance that Diversey will be able to recover any amounts relating to these indemnification claims from Unilever.

Given the nature of Diversey's business, Diversey believes that it is possible that, in the future, it will be subject to more stringent environmental laws or regulations that may result in new or additional restrictions imposed on its manufacturing, processing and distribution activities, which may result in possible violations, substantial fines, penalties, damages or other significant costs. The potential cost to Diversey relating to environmental matters, including the cost of complying with the foregoing legislation and remediation of contamination, is uncertain due to such factors as the unknown magnitude and type of possible pollution and clean-up costs, the complexity and evolving nature of laws and regulations, including those outside the United States, and the timing, variable costs and effectiveness of alternative clean-up methods. Diversey has accrued its best estimate of probable future costs relating to such known sites, but Diversey cannot estimate at this time the costs associated with any contamination that may be discovered as a result of future investigations, and Diversey cannot provide assurance that those costs or the costs of any required remediation will not have a material adverse effect on its business, financial condition, results of operations or cash flows.

Environmental Permits and Licensing

In the ordinary course of its business, Diversey is continually subject to environmental inspections and monitoring by governmental enforcement authorities. In addition, Diversey's production facilities, warehouse facilities and operations require operating permits that are subject to renewal, modification and, in specified circumstances, revocation. While Diversey believes that it is currently in material compliance with existing permit and licensing requirements, it may not be in compliance with permit or licensing requirements at some of its facilities. Based on available information and its indemnification rights, Diversey believes that costs associated with its permit and licensing obligations will not have a material adverse effect on its business, financial condition, results of operations or cash flows.

Product Registration and Compliance

Various federal, state, local and foreign laws and regulations regulate some of Diversey's products and require Diversey to register its products and to comply with specified requirements. In the United States, Diversey must register its sanitizing and disinfecting products with the EPA. When Diversey registers these products, it must also submit to the EPA information regarding the chemistry, toxicology and antimicrobial efficacy for the agency's review. Data must be consistent with the desired claims stated on the product label. In addition, each state where these products are sold requires registration and payment of a fee.

Diversey is also subject to various federal, state, local and foreign laws and regulations that regulate products manufactured and sold by it for controlling microbial growth on humans, animals and processed foods. In the United States, these requirements are generally administered by the U.S. Food and Drug Administration, ("FDA"). The FDA regulates the manufacture and sale of food, drugs and cosmetics, which includes antibacterial soaps and products used in food preparation establishments. The FDA requires companies to register antibacterial hand care products and imposes specific criteria that the products must meet in order to be marketed for these regulated uses. Before Diversey is able to advertise any product as an antibacterial soap or food-related product, it must generate, and maintain in its possession, information about the product that is consistent with the appropriate FDA monograph. FDA monographs dictate the necessary requirements for various product types such as antimicrobial hand soaps. In addition, the FDA regulates the labeling of these products. If the FDA determines that any of Diversey's products do not meet its standards for an antibacterial product, Diversey will not be able to market the product as an antibacterial product. Some of Diversey's business operations are subject to similar restrictions and obligations under an order of the U.S. Federal Trade Commission which was issued in 1999 and will remain in effect until at least 2019.

Similar product registration regulations and compliance programs exist in many other countries where Diversey operates.

To date, the cost of complying with product registration and compliance has not had a material adverse effect on Diversey's business, financial condition, results of operations or cash flows.

Properties

Diversey has a total of 26 manufacturing facilities in 20 countries, including Brazil, Canada, China, France, Germany, India, Italy, Japan, the Netherlands, Spain, Switzerland, Turkey, the United Kingdom and the United States. One of Diversey's principal manufacturing facilities is located at Waxdale in Sturtevant, Wisconsin, which facility Diversey leases from SCJ. The lease will expire in 2013, and we do not plan to renew this lease after expiration. Diversey's worldwide and Americas headquarters are located in Sturtevant, Wisconsin. Diversey believes its facilities are in good condition and are adequate to meet the existing production needs of its businesses.

The following table summarizes Diversey's principal plants and other physical properties that are important to its business. Unless indicated otherwise, all owned properties listed below are subject to mortgages.

Location	Approximate Square Feet Occupied		Principal Activity	Primary Segment Used In(3)
	Owned	Leased		
United States				
Madera, California		90,000	Manufacturing and warehouse	Americas
Mt. Pleasant, Wisconsin	50,000		General and administrative office	Americas
Sturtevant, Wisconsin		180,000(2)	Manufacturing	Americas
Sturtevant, Wisconsin		550,000	Warehousing logistics	Americas
Sturtevant, Wisconsin	278,000		International headquarters, data center, and research and development	Other
Watertown, Wisconsin	125,000		Manufacturing	Americas
Watertown, Wisconsin		150,000	Warehousing logistics	Americas
International				
Villa Bosch, Argentina	77,000		Manufacturing	Americas
Socorro, Brazil	123,000(1)	97,000	Manufacturing	Americas
London, Ontario, Canada	193,000		Manufacturing	Americas
Guangdong, China	75,000		Manufacturing	GreaterAsia Pacific
Villefranche-sur-Soane, France	181,000(1)		Manufacturing	Europe
Kirchheimbolanden, Germany	302,000	86,000	Manufacturing	Europe
Nalagarh, India	19,000		Manufacturing	GreaterAsia Pacific
Bagnolo, Italy	594,000(1)		Manufacturing	Europe
Shizuoka-Ken, Kakegawa, Japan	115,000		Manufacturing	GreaterAsia Pacific
Enschede, The Netherlands	289,000		Manufacturing	Europe
Utrecht, The Netherlands	44,000	68,000	Office and research and development	Europe
Valdemoro, Spain		45,000	Manufacturing	Europe
Munchwilen, Switzerland	112,000		Manufacturing and research and development	Europe
Gebze, Turkey		50,000	Manufacturing	Europe
Cotes Park, United Kingdom	583,000		Manufacturing and warehouse	Europe

(1) Property not mortgaged.
(2) Leased from SCJ.
(3) In general, Diversey's manufacturing facilities primarily serve the segment listed in the table above. However, certain facilities manufacture products for export to other segments, which use or sell the product.

Legal Proceedings

Diversey is party to various legal proceedings in the ordinary course of its business which may, from time to time, include product liability, intellectual property, contract, employee benefits, environmental and tax claims as well as government or regulatory agency inquiries or investigations. While the final outcome of these proceedings is uncertain, Diversey believes that, taking into account its insurance and reserves and the available defenses with respect to legal matters currently pending against it, the ultimate resolution of these proceedings will not, individually or in the aggregate, have a material adverse effect on its business, financial position, results of operations or cash flows.

DIVERSEY MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of Diversey's financial condition and results of operations covers periods prior to the closing of the Acquisition. Accordingly, the discussion and analysis of historical periods and the forward-looking statements included in this "Diversey Management's Discussion and Analysis of Financial Condition and Results of Operations" section of this offering memorandum do not reflect the significant impact that the Acquisition will have. You should read the following discussion of Diversey's results of operations and financial condition together with the "Diversey Selected Historical Financial Information" section of the offering memorandum and Diversey's audited and unaudited historical consolidated financial statements and related notes included elsewhere in this offering memorandum.

Except where noted, the management's discussion and analysis below, excluding the consolidated statements of cash flows, reflects the results of continuing operations, which excludes the results of DuBois Chemicals ("DuBois") as discussed in Note 6 to Diversey's 2010 audited consolidated financial statements.

Executive Overview

Diversey is a leading global provider of commercial cleaning, sanitation and hygiene products, services and solutions for food service, food and beverage manufacturing and processing, floor care, restroom care and housekeeping, and laundry in 175 countries worldwide. In addition, Diversey offers a wide range of value-added services, including food safety and application training and consulting, and auditing of hygiene and water management, among other services. Diversey serves institutional and industrial end-users such as food service providers, food and beverage manufacturing and processing plants, lodging establishments, building service contractors, building managers and property owners, retail outlets, schools and health-care facilities.

Reorganization of Operating Segments

In June 2008, Diversey announced plans to reorganize its operating segments to better address consolidation and globalization trends among its customers and to enable Diversey to more effectively deploy resources. Effective January 2010, Diversey completed its reorganization from a five region model to the new three region model, having implemented the following:

- Three regional presidents were appointed to lead the three regions;
- The three regional presidents report to Diversey's Chief Executive Officer ("CEO"), who is its chief operating decision maker;
- Financial information is prepared separately and regularly for each of the three regions; and
- The CEO regularly reviews the results of operations, manages the allocation of resources and assesses the performance of each of these regions.

Prior to the reorganization, Diversey's operations were organized in five regions: Europe/Middle East/Africa ("Europe"), North America, Latin America, Asia Pacific and Japan. The new three region model is composed of the following:

- The existing Europe region;
- A new Americas region combining the former North and Latin American regions; and
- A new Greater Asia Pacific region combining the former Asia Pacific and Japan regions.

In 2010, as a result of integrating certain of Diversey's equipment business into the Americas and Europe segments, associated revenues, expenses, assets and liabilities have been reclassified from Eliminations/Other to the Americas and Europe segments (see Note 28 to Diversey's 2010 audited consolidated financial statements). This reclassification is consistent with changes in Diversey's organizational reporting and reflects the chief operating decision maker's approach to assessing performance and asset allocation.

Accordingly, the following management's discussion and analysis reflects segment information in conformity with the three region model and the equipment business reclassification, and prior period segment information has been restated for comparability and consistency.

Six Months Ended July 1, 2011, Compared to Six Months Ended July 2, 2010

As indicated in the following table, net sales for the six months ended July 1, 2011 increased by 6.3% when compared to the prior year period. Excluding the impact of foreign currency exchange, Diversey's net sales increased by 0.4% during the six months ended July 1, 2011 compared to the prior year period.

	Six Months Ended		
	July 1, 2011	July 2, 2010	Change
	(In millions, except percentages)		
Net sales	$ 1,639.8	$ 1,542.0	6.3%
Variance due to foreign currency exchange		91.8	
	$ 1,639.8	$ 1,633.8	0.4%

Diversey's net sales grew in the six months ended July 1, 2011 due to continued strength in its emerging markets and improved performance in certain developed markets. Each of Diversey's segments reported sales increases, reflecting successful implementation of growth initiatives and pricing strategies. Diversey's improvement was driven by global equipment sales and an expanding food and beverage business, which grew in all regions. These increases were partially offset by Diversey's planned exit from non-strategic toll manufacturing in Europe and unforeseen events, such as the natural disaster in Japan and the instability in Egypt. Diversey continues to invest in emerging markets and in the deployment of its sector-based organization model. Diversey expects its investments in capabilities, new business models and technologies to promote further growth as the year progresses.

As indicated in the following table, Diversey's margin on net sales declined during the six months ended July 1, 2011 compared to the six months ended July 2, 2010.

	Six Months Ended	
	July 1, 2011	July 2, 2010
Margin on net sales	41.5%	43.0%

During the six months ended July 1, 2011, Diversey experienced a 150 basis point decline in margin on net sales as compared to the comparable period of the prior year. The decline in margin was primarily driven by materials cost inflation, higher fuel and freight costs, and adverse mix changes, which were partially offset by price increases and savings derived from Diversey's global strategic sourcing initiatives. Diversey expects to continue to leverage its pricing strategies, sourcing initiatives and process improvements to mitigate current and expected inflationary pressures.

Fiscal Year Ended December 31, 2010, Compared to Fiscal Year Ended December 31, 2009

In the fiscal year ended December 31, 2010, net sales increased by $16.8 million compared to the prior year. As indicated in the following table, after excluding the impact of foreign currency exchange rates, Diversey's net sales decreased by 0.3% for the fiscal year ended December 31, 2010 compared to the prior year.

	Fiscal Year Ended		
	December 31, 2010	December 31, 2009	Change
	(In millions, except percentages)		
Net sales	$ 3,127.7	$ 3,110.9	0.5%
Variance due to foreign currency exchange		26.6	
	$ 3,127.7	$ 3,137.5	(0.3)%

When adjusted for the reduction in H1N1 pandemic related volume, net sales increased by 1% over the prior year. Strong growth in emerging markets was offset by the challenging economic conditions in the developed markets of Western Europe, North America and Japan. Diversey's consistent pricing strategies, improved customer contract compliance and customer acquisitions helped offset the adverse impact of decreased consumption of Diversey's products in those developed markets. In particular, emerging markets across the world and global equipment sales have demonstrated consistent growth trends throughout fiscal 2010.

As indicated in the following table, Diversey's margin on net sales improved significantly for the year ended December 31, 2010 compared to the year ended December 31, 2009.

	Fiscal Year Ended	
	December 31, 2010	December 31, 2009
Margin on Net Sales	42.4%	41.2%

For the year ended December 31, 2010 compared to the prior year, Diversey's margin on net sales improved by 120 basis points. This improvement was largely the result of continued implementation of price increases, reductions in certain raw material costs, successful implementation of Diversey's restructuring program, and structural improvements in its global sourcing activities. This includes more efficient materials purchasing, improvements in Diversey's manufacturing and logistics footprint, rationalizing the number of product offerings, eliminating low margin products, and implementing internal processes to more effectively monitor customer profitability. Diversey expects to leverage its process improvements and continued pricing actions to help mitigate current and expected inflationary pressures.

While the uncertain economic conditions throughout 2010 adversely affected a number of end-users of Diversey's products and services, Diversey did not experience a loss of material customers.

Diversey continued implementing materials sourcing savings programs and cost containment measures during 2010. Diversey's favorable operating performance provided it with excess cash to voluntarily pay down its debt by $125 million in 2010 and to terminate its receivables securitization facilities.

Restructuring

During fiscal year 2010, Diversey continued to make significant progress with the operational restructuring of Diversey in accordance with the November 2005 restructuring program (the "November 2005 Plan"), which included redesigning Diversey's organizational structure, the closure of a number of manufacturing and other facilities, outsourcing the majority of information technology support worldwide, outsourcing certain financial services in Western Europe and a workforce reduction of approximately 15%. Key activities included the continued transition to a new organizational model in our Europe region, and continued progress on various supply chain optimization projects designed to improve capacity utilization and efficiency. Diversey's November 2005 restructuring program activity will continue through fiscal 2011, with the majority of associated reserves expected to be paid out through Diversey's restricted cash balance.

In conjunction with its ongoing operational efficiency efforts, Diversey announced plans to transition certain accounting functions in its corporate center and North America location to a third party provider. Diversey commenced the plan in fiscal 2010 and expects to complete execution by December 2011. Diversey also affirmed its decision to cease manufacturing operations at Waxdale, its primary U.S. manufacturing facility, and to move some production to its other locations in North America, as well as to pursue contract manufacturing for a portion of its product line. The timeline to transition out of Waxdale is not certain, but is expected to be largely completed by the first half of fiscal 2012.

In December 2010, Diversey announced a further enhancement of its organizational structure. The new structure provides a focus on the role of emerging markets in its growth objectives, and will consist of four regions reporting to the CEO, as follows:

- ***Europe*** — This region will be comprised of operating units in Western and Eastern Europe and Russia and will no longer include Diversey's operations in Turkey, Africa and Middle East countries. Europe will continue to be Diversey's largest region.
- ***Americas*** — The operating units in this region will remain unchanged.
- ***Asia Pacific, Africa, Middle East, Turkey ("APAT")*** — This region will be comprised of our operations in Asia Pacific, Africa, Middle East, Turkey and the Caucasian and Asian Republics. This region will no longer include Japan.
- ***Japan*** — Japan becomes a stand-alone region.

In addition, a new Customer Solutions and Innovation group is being organized to coordinate global sectors, marketing, research, development and engineering leadership, and to collaborate directly with the regions to build and deliver sector growth strategies. The implementation of this organizational redesign is currently in progress. Regional presidents for each of the four regions have been appointed and are currently transitioning. Diversey will continue to report its operating segments under the current three region model until the new management, operating, and financial reporting structures are effectively in place, which currently is expected to be completed during the third quarter of this fiscal year.

Critical Accounting Policies

The preparation of Diversey's financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reported periods. Actual results may differ from these estimates under different assumptions or conditions. The following are the accounting policies that Diversey believes are most critical to its financial condition and results of operations and that involve management's judgment and/or evaluation of inherent uncertain factors:

Revenue Recognition. Diversey recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred or ownership has transferred to the customer, the sales price is fixed or determinable, and collection is probable. Diversey records an estimated reduction to revenue for customer discount programs and incentive offerings, including allowances and other volume-based incentives. If market conditions were to decline, Diversey may take actions to increase customer incentive offerings, possibly resulting in a reduction of gross profit margins in the period during which the incentive is offered. Revenues are reflected in the consolidated statement of operations net of taxes collected from customers and remitted to governmental authorities.

In arriving at net sales, Diversey estimates the amounts of sales deductions likely to be earned by customers in conjunction with incentive programs such as volume rebates and other discounts. Such estimates are based on written agreements and historical trends and are reviewed periodically for possible revision based on changes in facts and circumstances.

Estimating Reserves and Allowances. Diversey estimates inventory reserves based on periodic reviews of our inventory balances to identify slow-moving or obsolete items and to value inventories at the lower of cost or net realizable value. This determination is based on a number of factors, including new product introductions, changes in customer demand patterns, product life cycle, and historic usage trends.

Diversey estimates the allowance for doubtful accounts by analyzing accounts receivable balances by age, applying historical trend rates, analyzing market conditions and specifically reserving for identified customer balances, based on known facts, which are deemed probable as uncollectible. For larger accounts greater than 90 days past due, an allowance for doubtful accounts is recorded based on the customer's ability and likelihood to pay and based on management's review of the facts and circumstances. For other customers, Diversey recognizes an allowance based on the length of time the receivable is past due and on historical experience. See "— Quantitative and Qualitative Disclosures About Market Risk" for further discussion on credit risk as it relates to the recent global economic slowdown.

Diversey accrues for losses associated with litigation and environmental claims based on management's best estimate of future costs when such losses are probable and reasonably able to be estimated. Diversey records those costs based on what management believes is the most probable amount of the liability within the ranges or, where no amount within the range is a better estimate of the potential liability, at the minimum amount within the range. The accruals are adjusted as further information becomes available or circumstances change.

Pension and Post-Retirement Benefits. Diversey sponsors separately funded pension and post-retirement plans in various countries, including the United States. Several statistical and judgmental factors, which attempt to anticipate future events, are used in calculating the expense and liability related to the plans. These factors include assumptions about the discount rate, expected return on plan assets, rate of future compensation increases and health care cost trends, as determined by Diversey and its actuaries. In addition, Diversey's actuarial consultants also use subjective factors, such as withdrawal and mortality rates, to estimate these factors. Diversey uses actuarial assumptions that may differ materially from actual results due to changing market and economic conditions, higher or lower withdrawal rates, longer or shorter life spans of participants and changes in actual costs of health care. Actual results may significantly affect the amount of pension and other post-retirement benefit expenses recorded by Diversey.

Goodwill and Non-Amortizing Intangibles. Goodwill and non-amortizing intangible assets are reviewed for impairment on an annual basis and between annual tests when significant events or changes in business circumstances indicate that their carrying values may not be recoverable. For goodwill impairment testing, Diversey has defined its reporting units as Europe, North America, Latin America, Asia Pacific, and Japan. Diversey uses a two-step process to test goodwill for impairment. First, the reporting unit's fair value is compared to its carrying value. Fair value is estimated using a combination of a discounted cash flow approach and a market approach. If a reporting unit's carrying amount exceeds its fair value, an indication exists that the reporting unit's goodwill may be impaired, and the second step of the impairment test would be performed. The second step of the goodwill impairment test is to measure the amount of the impairment loss, if any. In the second step, the implied fair value of the reporting unit's goodwill is determined by allocating the reporting unit's fair value to all of its assets and liabilities other than goodwill in a manner similar to a purchase price allocation. The implied fair value of the goodwill that results from the application of this second step is then compared to the carrying amount of the goodwill and an impairment charge would be recorded for the difference if the carrying value exceeds the implied fair value of the goodwill. Diversey tests the carrying value of other intangible assets with indefinite lives by comparing the fair value of the intangible assets to the carrying value. Fair value is estimated using a relief of royalty approach, a discounted cash flow methodology.

Diversey conducts its annual impairment reviews at the beginning of the fourth quarter with the assistance of a third party valuation firm. Diversey completes this analysis as of the first day of our fiscal fourth quarter. Goodwill balances are recorded at the reporting unit level; however, where applicable, balances may be allocated to reporting units in proportion to the goodwill balances recorded at the reporting unit level. Diversey performed its impairment reviews for fiscal years 2010, 2009 and 2008, and found no impairment of goodwill and non-amortizing intangibles. Moreover, due to the challenging global economic environment during 2010, management evaluated goodwill impairment indicators on a periodic basis to determine if interim impairment reviews were appropriate. As a key and quantifiable value driver, Diversey chose interim EBITDA as its primary benchmark measure for interim impairment reviews. Diversey tracked consolidated actual performance against this benchmark to assess whether or not a step-one evaluation may be necessary. No interim impairment indicators were identified during the six months ended July 1, 2011. There can be no assurance that future goodwill and non-amortizing intangible asset impairment tests will not result in a charge to earnings.

During Diversey's 2010 impairment review, each of its reporting units had a fair value that exceeded its carrying value by 45% or more, except for Diversey's Japan reporting unit, whose fair value exceeded its carrying value by 20%. The fair value of Diversey's Japanese reporting is impacted by macroeconomic factors that exist in that country, which was reflected in its use of a perpetuity growth rate of 1% in our valuation models. The risk-adjusted discount rate utilized was 10.9%. Failure of the Japanese business to realize financial forecasts or further weakening of the Japanese business environment could potentially impact the future recoverability of the $144.3 million of goodwill held in Diversey's Japanese reporting unit at December 31, 2010. On March 11, 2011, Japan suffered a significant earthquake and tsunami. While immediate losses are not expected to be material, the future impact to operating results and related risk of asset impairment is not currently determinable.

Long-Lived Assets and Amortizing Intangibles. Diversey periodically conducts impairment reviews on long-lived assets, including amortizable intangible assets, whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. If the sum of the expected undiscounted cash flows is less than the carrying value of the related asset or group of assets, a loss is recognized for the difference between the fair value and carrying value of the asset or group of assets. Diversey also periodically reassesses the estimated remaining useful lives of its amortizing intangible assets and its other long-lived assets. Changes to estimated useful lives would affect the amount of depreciation and amortization expense recorded in its consolidated financial statements.

Diversey did not record impairment charges on certain long-lived assets during the six months ended July 1, 2011 and it recorded impairment charges on certain long-lived assets of $5.4 million, $1.2 million and $6.3 million during fiscal years 2010, 2009 and 2008, respectively.

Stock-Based Compensation. Diversey estimates the grant date fair values of stock awards with the assistance of an independent third party valuation firm. Diversey estimates the fair values of stock options using a Black-Scholes valuation model. Under this model, the fair value of an award is affected by estimates of underlying stock price, the risk free interest rate, stock volatility, holding period and expected dividends. Diversey estimates the risk-free interest rate based upon United States treasury rates appropriate for the expected life of the awards. Diversey uses the implied volatility based on the median monthly volatility of peer companies. Holding period and expected dividends are estimated using management's judgment of potential liquidity activity and dividend policy. The estimates Diversey uses are subjective and changes to these estimates will cause the fair values of its stock awards and related stock-based compensation expense that it records to vary from time to time.

Accounting for Income Taxes. Significant judgment is required in determining Diversey's worldwide income tax provision, deferred tax assets and liabilities, and any valuation allowances recorded against net deferred tax assets. In the ordinary course of a global business, there are many transactions and calculations where the ultimate tax outcome is uncertain. Although Diversey believes that its estimates are reasonable, the final tax outcome of these matters could be different from that which is reflected in historical income tax calculations. Such differences could have a material effect on Diversey's income tax provision, net income, and net deferred tax assets in the period in which such determination is made.

Diversey does not record a deferred tax liability for certain undistributed foreign earnings where such earnings are considered indefinitely reinvested. Remittances of foreign earnings are planned based on many factors, including projected cash flow, working capital requirements and investment needs of Diversey's foreign and domestic operations. Based on these factors, Diversey estimates the amount that will be distributed to the United States or other foreign affiliates and provides United States federal and/or foreign taxes on these amounts. Material changes in Diversey's estimates or tax legislation that limits or restricts the amount of undistributed foreign earnings that are considered indefinitely reinvested could materially impact Diversey's income tax provision and effective income tax rate.

Diversey records a valuation allowance to reduce deferred tax assets to the amount that is more likely than not to be realized. In order for Diversey to realize deferred tax assets, sufficient taxable income must be generated in those jurisdictions where the deferred tax assets are located. In determining the need for a valuation allowance, Diversey considers many factors, including future growth, forecasted earnings, future taxable income, the mix of earnings in the jurisdictions in which it operates, historical earnings, taxable income in prior years, if carryback is permitted under the law, and prudent and feasible tax planning strategies. In the event Diversey was to determine that it would not be able to realize all or part of the net deferred tax assets in the future, an adjustment to the valuation allowance would be charged to earnings in the period in which such a determination was made. If Diversey later determines that it is more likely than not that the net deferred tax assets would be realized, the applicable portion of the previously provided valuation allowance would be reversed as an adjustment to earnings at such time.

Diversey calculates current and deferred income tax provisions based on estimates and assumptions that could differ from the actual results reflected in income tax returns filed during the subsequent year. Adjustments based on filed income tax returns are generally recorded in the period when the income tax returns are filed, which can materially impact Diversey's effective income tax rate.

The amount of taxable income (loss) reported in jurisdictions in which Diversey operates is subject to ongoing audits by federal, state and foreign tax authorities, which could result in proposed assessments. Diversey's estimate of the potential outcome for any uncertain tax position is highly judgmental. Diversey accounts for these uncertain tax positions pursuant to ASC 740, Income Taxes, which contains a two-step approach to recognizing and measuring uncertain tax positions taken or expected to be taken in a tax return. The first step is to determine if the weight of available evidence indicates that it is more likely than not that the income tax position will be sustained on audit, including resolution of any related appeals or litigation processes. The second step is to measure the income tax benefit as the largest amount that is more than 50% likely to be realized upon ultimate settlement. Although Diversey believes uncertain tax positions have been adequately reserved for, no assurance can be given with respect to the final outcome of these matters. Diversey adjusts the amount of unrecognized tax benefits for uncertain tax positions due to changing facts and circumstances, such as the closing of income tax audits, judicial rulings, refinement of estimates or realization of earnings or deductions that differ from previous estimates. To the extent that the final outcome of these matters is different than the amounts recorded, such differences generally will impact Diversey's provision for income taxes in the period in which such a determination is made. Diversey's income tax provision includes the impact of unrecognized tax benefits and changes to unrecognized tax benefits that are considered appropriate and also include any related interest and penalties.

New Accounting Pronouncements

For information with respect to new accounting pronouncements and the impact of these pronouncements on Diversey's consolidated financial statements, see Note 2 to Diversey's 2010 audited consolidated financial statements and Note 3 to Diversey's July 1, 2011 unaudited consolidated interim financial statements.

Six Months Ended July 1, 2011 Compared to Six Months Ended July 2, 2010

Net Sales:

	Six Months Ended		Change	
	July 1, 2011	July 2, 2010	Amount	Percentage
		(In millions)		
Net product and service sales	$ 1,626.9	$ 1,530.1	$ 96.8	6.3%
Sales agency fee income	12.9	11.9	1.0	8.4%
Net sales	1,639.8	1,542.0	97.8	6.3%
Variance due to foreign currency exchange		91.8	(91.8)	
	$ 1,639.8	$ 1,633.8	$ 6.0	0.4%

- Net sales for the six months ended July 1, 2011 increased by 6.3% when compared to the six months ended July 2, 2010.

- The comparability of net sales reported in the two periods is affected by the impact of foreign exchange rate movements. As measured against the prior period's results, the weaker U.S. dollar against the euro and a majority of other foreign currencies resulted in a $91.8 million increase in net sales in the first half of 2011.
- Excluding the impact of foreign currency exchange rates, net sales increased by 0.4%. Diversey continues to experience growth in its emerging markets, and has realized improvement in certain developed markets during the period. The following is a review of the sales performance for each of Diversey's regions:
  - In Diversey's Europe, Middle East and Africa markets, net sales decreased by 1.0% in the first six months of 2011 versus the same period last year. The decline was a result of a reduction in non-strategic toll manufacturing, and decreased volume due to the instability in Egypt. In addition, sales of consumer branded products were adversely impacted by competitive pressures. These challenges were partially offset by price increases, expansion in the food and beverage sector, and continued growth in equipment sales. Diversey experienced strong growth across emerging markets, a trend Diversey expects through the remainder of this fiscal year. To offset the effects of inflation, Diversey has deployed price increases in both emerging and developed markets which were effective at the beginning of the third quarter of this year.
  - In Diversey's Americas region, net sales increased by 2.2% in the first six months of 2011 versus the same period last year. Diversey's emerging markets in Latin America, led by Brazil, continued strong growth trends, particularly in the food and beverage sector. Canada grew based on steady performance in food service and sales through distribution channels. These gains were partially offset by sales declines in the United States, primarily in the retail and food and beverage sectors. Diversey expects a continued trend of consumption growth in emerging markets. In addition to consumption growth, Diversey expects that price increases which were effective at the beginning of the third quarter this year will mitigate cost trends in both emerging and developed markets, particularly in the United States.
  - In Diversey's Greater Asia Pacific region, net sales improved by 1.6% in the first six months of 2011 versus the same period last year. The increase was mainly due to strong volume improvements in the food and beverage and lodging sectors in Diversey's emerging markets, particularly in Greater China and India. Sales growth was achieved through new customer acquisitions, volume increases in Diversey's existing customer base, as well as continuing improvement in equipment sales in most markets. Diversey's growth in emerging markets was partially offset by a 4.9% sales decline in Japan, primarily a result of the recent natural disaster. Diversey expects continued negative effects on sales in the current fiscal year in Japan as a result of the disaster. Diversey has deployed price increases, effective at the beginning of the third quarter of this year, across all geographies to offset the continuing affects of inflation.
- ***Sales Agency Fee.*** As explained in Note 4 to Diversey's July 1, 2011 unaudited consolidated interim financial statements, Diversey entered into an Umbrella Agreement with Unilever covering a new sales agency (the "New Agency Agreement") and License Agreement, which became effective January 1, 2008, and unless otherwise terminated or extended, will expire on December 31, 2017. The amounts of sales agency fee income earned under the Sales Agency Agreement are reported in the preceding table.

Gross Profit:

	Six Months Ended		Change	
	July 1, 2011	July 2, 2010	Amount	Percentage
	(In millions, except percentages)			
Gross Profit	$ 680.7	$ 662.3	$ 18.4	2.8%
Gross profit as a percentage of net sales	41.5 %	43.0%		

- Gross profit for the six months ended July 1, 2011 increased by $18.4 million when compared to the six months ended July 2, 2010.

- The comparability of gross profit between the two periods is affected by the impact of foreign exchange rate movements. As measured against the same period in the prior year, the weaker U.S. dollar against the euro and a majority of other foreign currencies resulted in a $40.0 million improvement in gross profit in the current six months period. Excluding the impact of foreign currency, gross profit decreased by $21.6 million.
- Diversey's gross profit percentage declined by 150 basis points in the first half of 2011 compared to the first half of 2010.
- The decline in margin was primarily driven by materials cost inflation, higher fuel and freight costs, and adverse mix changes, which were partially offset by price increases and savings derived from Diversey's global strategic sourcing initiatives. Diversey's margin was also adversely affected by inventory losses following the disaster in Japan (see Note 18 to Diversey's July 1, 2011 unaudited consolidated interim financial statements).
- Diversey expects further deployment of its pricing strategies to mitigate the effects of current and expected inflationary pressures. In addition, Diversey expects margin improvement will result from the continued execution of its global sourcing initiatives and process enhancements.

Operating Expenses:

	Six Months Ended		Change	
	July 1, 2011	July 2, 2010	Amount	Percentage
	(In millions, except percentages)			
Selling, general and administrative expenses	$ 514.0	$ 504.3	$ 9.7	1.9%
Research and development expenses	36.3	33.3	3.0	9.0%
Restructuring expenses (credits)	(1.1)	(2.5)	1.4	56.0%
	$ 549.2	$ 535.1	$ 14.1	2.6%
As a percentage of net sales:				
Selling, general and administrative expenses	31.3%	32.7%		
Research and development expenses	2.2%	2.2%		
Restructuring expenses	(0.1)%	(0.2)%		
	33.5%	34.7%		

- Operating expenses for the six months ended July 1, 2011 increased by $14.1 million when compared to the six months ended July 2, 2010.
- The comparability of operating expenses between the two periods is affected by the impact of foreign exchange rate movements. As measured against the same period in the prior year, the weaker U.S. dollar against the euro and a majority of other foreign currencies resulted in a $29.2 million increase in operating expenses. Excluding the impact of foreign currency, operating expenses decreased by $15.1 million.
- ***Selling, General and Administrative Expenses.*** As a percentage of net sales, selling, general and administrative expenses were 31.3% for the first half of 2011 and 32.7% for the same period in the prior year. Selling, general and administrative expenses increased by $9.7 million during the current period. Excluding the impact of foreign currency, selling, general and administrative expenses decreased by $17.7 million during the first half of 2011 compared to the same period in the prior year. This decrease was primarily due to a reduction in performance-based compensation expense of $17.4 million (see Note 2 to Diversey's July 1, 2011 unaudited consolidated interim financial statements), the impact of non-recurring costs in 2010 of $9.0 million and improved operating efficiencies partially offset by costs incurred related to organizing the European Principal Company (see Note 20 to Diversey's July 1, 2011 unaudited consolidated interim financial statements) in the amount of $2.6 million, Merger-related

transaction costs of $3.9 million (Note 21 to Diversey's July 1, 2011 unaudited consolidated interim financial statements) and increased compensation costs of $3.5 million related to the impact of the Merger on Diversey's SARs (Note 16 to Diversey's July 1, 2011 unaudited consolidated interim financial statements).

- ***Research and Development Expenses.*** Research and development expenses increased by $3.0 million in the six month period ended July 1, 2011. Excluding the impact of foreign currency, research and development expenses increased by $1.2 million during the first half of 2011 compared to the same period in the prior year.

- ***Restructuring Expenses (Credits).*** As the November 2005 Plan winds down, credit adjustments related to previously recorded restructuring reserves decreased by $1.4 million during the first half of 2011 compared to the same period in the prior year.

Restructuring:

A summary of all costs associated with the November 2005 Plan for the six months ended July 1, 2011 and July 2, 2010 and since its inception in November 2005, is outlined below:

	Six Months Ended		Total Project to Date
	July 1, 2011	July 2, 2010	July 1, 2011
		(In millions)	
Reserve balance at beginning of period	$ 23.1	$ 48.4	$ —
Restructuring charges and adjustments	(1.1)	(2.5)	233.2
Payments of accrued costs(1)	(7.7)	(16.2)	(218.9)
Reserve balance at end of period	$ 14.3	$ 29.7	$ 14.3
Period costs classified as selling, general and administrative expenses	2.9	6.7	322.2
Period costs classified as cost of sales	—	0.5	8.6
Capital expenditures	—	2.2	84.1

(1) Cash paid includes the effect of foreign currency.

- ***November 2005 Plan Restructuring Costs.*** During the first half of 2011 and 2010, Diversey reduced restructuring liabilities by $1.1 million and $2.5 million, respectively, for involuntary termination costs for certain individuals, formerly expected to be severed, who were either retained by Diversey or resigned. Restructuring activities under the November 2005 Plan will continue to wind down during 2011.

- ***November 2005 Plan Period Costs.*** Period costs of $2.9 million and $6.7 million for the first half of 2011 and 2010, respectively, included in selling, general and administrative expenses and $0.5 million for the first half of 2010, included in cost of sales pertained to: (a) $1.2 million in 2011 ($3.3 million in 2010) for personnel related costs of employees and consultants associated with restructuring initiatives, (b) $0.8 million in 2011 ($1.2 million in 2010) for value chain and cost savings projects, and (c) $0.9 million in 2011 ($2.7 million in 2010) related to facilities, asset impairment charges and various other costs. The overall decrease in these expenses over the prior period was mainly due to a reduction in restructuring activities within Diversey's Americas and Greater Asia Pacific segments.

Non-Operating Results:

	Six Months Ended		Change	
	July 1, 2011	July 2, 2010	Amount	Percentage
	(In millions)			
Interest expense	$ 67.3	$ 69.9	$ (2.6)	(3.7)%
Interest income	(1.2)	(0.9)	(0.3)	(33.3)%
Net interest expense	$ 66.1	$ 69.0	$ (2.9)	(4.2)%
Other expense (income), net	0.1	3.8	(3.7)	(97.4)%

- Net interest expense decreased in the first half of 2011 compared to the same period in the prior year primarily due to optional Term Loan repayments made in the second half of 2010, lower interest rates obtained from an improved leverage ratio, and the amendment to the Senior Secured Credit Facilities credit agreement (see Note 7 to Diversey's July 1, 2011 unaudited consolidated interim financial statements). This long term reduction in interest expense was offset by the expensing of $2.4 million of fees incurred related to the amendment.
- Other (income) expense, net declined mainly due to the impact of $3.9 million foreign currency loss resulting from Diversey's adoption of highly inflationary accounting for its Venezuelan subsidiary in 2010.

Income Taxes:

	Six Months Ended		Change	
	July 1, 2011	July 2, 2010	Amount	Percentage
	(In millions, except percentages)			
Income from continuing operations, before income taxes	$65.4	$54.5	$ 10.9	20.0%
Provision for income taxes	39.5	39.9	(0.4)	(1.0)%
Effective income tax rate	60.4%	73.2%		

- For the fiscal year ending December 31, 2011, Diversey is projecting an effective income tax rate of approximately 58% on pre-tax income from continuing operations. The projected effective income tax rate for the fiscal year exceeds the statutory income tax rate primarily as a result of increased valuation allowances against net deferred tax assets in certain jurisdictions and increases in reserves for uncertain tax positions.
- Diversey reported an effective income tax rate of 60.4% on the pre-tax income from continuing operations for the six month period ended July 1, 2011, which approximates the estimated annual effective income tax rate.
- Diversey reported an effective income tax rate of 73.2% on the pre-tax income from continuing operations for the six month period ended July 2, 2010. The high effective income tax rate was primarily the result of increased valuation allowances against deferred tax assets in certain jurisdictions and increases in reserves for uncertain tax positions.

Net Income:

Diversey's net income of $25.9 million for the first six months of 2011 increased by $20.3 million when compared to the first six months of 2010. Excluding the impact of foreign currency exchange of $7.1 million, Diversey's net income increased by $13.3 million. The increase in net income was primarily due to higher operating profit, lower interest expense, the impact of discontinued operations and the adoption of highly inflationary accounting in Venezuela in 2010.

Fiscal Year Ended December 31, 2010 Compared to Fiscal Year Ended December 31, 2009

Net Sales:

	Fiscal Year Ended December 31, 2010	Fiscal Year Ended December 31, 2009	Change Amount	Change Percentage
	(In millions)			
Net product and service sales	$ 3,101.3	$ 3,083.7	$ 17.6	0.6%
Sales agency fee income	26.4	27.2	(0.8)	(2.9)%
Net sales	3,127.7	3,110.9	16.8	0.5%
Variance due to foreign currency exchange		26.6	(26.6)	
	$ 3,127.7	$ 3,137.5	$ (9.8)	(0.3)%

- The comparability of net sales reported in the two periods is affected by the impact of foreign exchange rate movements. As measured against prior year's results, the weaker U.S. dollar against a majority of the foreign currencies in countries where Diversey operates resulted in a $26.6 million increase in net sales in 2010.
- Excluding the impact of foreign currency exchange rates, net sales decreased by $9.8 million or 0.3% in fiscal 2010, compared to the prior fiscal year. When adjusted for the reduction in H1N1 pandemic related volume, net sales increased by 1% over the prior year. Strong growth in emerging markets was offset by the challenging economic conditions in the developed markets of Western Europe, North America and Japan. Diversey's consistent pricing strategies, improved customer contract compliance and customer acquisitions helped offset the adverse impact of decreased consumption of its products in those developed markets. In particular, emerging markets across the world and global equipment sales have demonstrated consistent growth trends throughout fiscal 2010. Diversey continues to believe that its differentiated value proposition, global customer solutions and approach to innovation, complemented by its diversified customer base, should allow it to effectively execute its sales strategies and help mitigate market uncertainty. The following is a review of the sales performance for each of Diversey's segments, excluding foreign currency impact:
  - In Diversey's Europe, Middle East and Africa markets, net sales decreased by 0.5% in 2010 compared to the prior year. When adjusted for H1N1 virus related sales in the prior year, net sales increased by 0.7%. Emerging markets continued its growth trend, but Diversey experienced pressure on sales volume in Western Europe primarily due to the stressed economic conditions driving lower consumption patterns. Adjusted for H1N1 related sales, growth was largely driven by pricing and customer acquisitions in the food and beverage and lodging sectors. In addition, equipment sales grew despite the challenging marketplace. Diversey will continue to pursue the successful execution of its sales strategies to mitigate continuing economic challenges.
  - In Diversey's Americas region, net sales decreased by 1.1% in 2010 compared to the prior year. When adjusted for H1N1 virus related sales in the prior year, net sales increased by 0.7%. Diversey's emerging markets in Latin America experienced strong growth, particularly in the food and beverage, health care and lodging sectors. These gains were partially offset by sales declines in the U.S. and Canada, resulting from Diversey's voluntary exit from underperforming applications in the food and beverage sector, as well as decreased consumption in the government and education sector due to their budgetary constraints. Diversey expects a continued trend of consumption growth in emerging markets. Diversey's expanded product offerings in the U.S. and Canada will help address the softness and economic uncertainties in many sectors of these marketplaces.
  - In Diversey's Greater Asia Pacific region, net sales increased by 1.7% in 2010 compared to the prior year. When adjusted for H1N1 virus related sales in the prior year, net sales increased by 2.4%. The increase was mainly due to strong volume improvements across sectors in our emerging markets, in particular, India and China. Diversey experienced sales growth in the food and beverage sector due to

new customer acquisitions. This region also delivered growth in the lodging sector, related to improved occupancy rates, as well as continuing improvement in equipment sales across various customer sectors. Diversey's growth trends in emerging markets were offset by volume decreases in Japan, consistent with certain other developed markets. The region expects sales growth as economic recovery and customer demand is restored and as Diversey continues its focus on key customer acquisitions and emerging markets.

Sales Agency Fee. As further discussed in Note 3 to Diversey's 2010 audited consolidated financial statements, sales agency fees pertain to fees earned in connection with the sales agency agreements with Unilever.

Gross Profit:

	Fiscal Year Ended		Change	
	December 31, 2010	December 31, 2009	Amount	Percentage
	(In millions, except percentages)			
Gross Profit	$ 1,327.3	$ 1,281.9	$ 45.4	3.5%
Gross profit as a percentage of net sales	42.4%	41.2%		

- The comparability of gross profit between the two periods is affected by the impact of foreign exchange rate movements. As measured against prior period's results, the weaker U.S. dollar against a majority of the foreign currencies in countries where Diversey operates resulted in a $5.8 million increase in gross profit in 2010.
- Diversey's margin on net sales improved by 120 basis points in 2010 compared to the prior year.
- The 120 basis point improvement in margin on net sales was largely the result of continued implementation of price increases, reductions in certain raw material costs, successful implementation of Diversey's restructuring program, and structural improvements in Diversey's global sourcing activities. This includes more efficient materials purchasing, improvements in Diversey's manufacturing and logistics footprint, rationalizing the number of product offerings, eliminating low margin products, and implementing internal processes to more effectively monitor customer profitability. Diversey expects to leverage its process improvements and continued pricing actions to help mitigate current and expected inflationary pressures.

Operating Expenses:

	Fiscal Year Ended		Change	
	December 31, 2010	December 31, 2009	Amount	Percentage
	(In millions, except percentages)			
Selling, general and administrative expenses	$ 1,005.9	$ 988.1	$ 17.8	1.8%
Research and development expenses	65.7	63.3	2.4	3.7%
Restructuring expenses (credits)	(2.3)	32.9	(35.2)	(107.0)%
	$ 1,069.3	$ 1,084.3	$ (15.0)	(1.4)%
As a percentage of net sales:				
Selling, general and administrative expenses	32.2%	31.8%		
Research and development expenses	2.1%	2.0%		
Restructuring expenses	(0.1)%	1.1%		
	34.2%	34.9%		

- The comparability of operating expenses between the two years is affected by the impact of foreign exchange rate movements. As measured against prior period's results, the weaker U.S. dollar against a majority of the foreign currencies in countries where Diversey operates resulted in a $6.6 million increase in operating expenses in 2010.

- ***Selling, General and Administrative expenses.*** Included in selling, general and administrative expenses are period costs associated with the November 2005 Plan in the amounts of $17.0 million and $31.0 million for the fiscal years 2010 and 2009, respectively.
- ***Selling, General and Administrative Expenses*** as a percentage of net sales were 32.2% for the year ended December 31, 2010 compared to 31.8% for the prior year. Excluding the impact of foreign currency, selling, general and administrative costs increased $9.2 million in 2010 compared to the prior year. This increase was substantially due to a net increase in non-recurring costs arising from: (a) employee termination costs, including those related to Diversey's decision to move certain accounting functions to a third party provider and to relocate its primary U.S. manufacturing capability (see Note 15 to Diversey's 2010 audited consolidated financial statements), (b) various costs associated with assessing a reorganization of Diversey's European operations, (c) accrued contribution pledged to a charitable organization near Diversey's headquarters (see Note 27 to Diversey's 2010 audited consolidated financial statements), (d) information technology systems changes and legal filing fees associated with Diversey's name change, (e) an impairment charge on investments (see Note 2 to Diversey audited consolidated financial statements), offset by (f) the recognition of pension related net settlement and curtailment gains and (g) lower period costs associated with the November 2005 Plan. Excluding the impact of these non-recurring costs, selling, general and administrative expense as a percentage of sales were effectively flat in 2010.
- ***Research and Development Expenses.*** Excluding the impact of foreign currency exchange rates, research and development expenses increased by $3.3 million during the year ended December 31, 2010 compared to the prior year, the majority of which is related to the addition of engineering resources.
- ***Restructuring Expenses (Credits).*** Excluding the impact of foreign currency exchange rates, restructuring expenses decreased by $34.1 million during the year ended December 31, 2010 compared to the prior year, primarily due to the winding down of restructuring efforts and adjustments of previously recorded restructuring reserves.

Restructuring:

A summary of all costs associated with the November 2005 Plan during 2010 and 2009, and since its inception in November 2005, is outlined below:

	Fiscal Year Ended		Total Project to Date
	December 31, 2010	December 31, 2009	December 31, 2010
		(In millions)	
Reserve balance at beginning of period	$ 48.4	$ 60.1	$ —
Restructuring charges and adjustments	(2.3)	32.9	234.4
Liability adjustments			0.3
Payments of accrued costs	(23.0)	(44.6)	(211.6)
Reserve balance at end of period	$ 23.1	$ 48.4	$ 23.1
Period costs classified as selling, general and administrative expenses	17.0	31.0	319.3
Period costs classified as cost of sales	2.4	1.8	8.6
Capital expenditures	—	22.3	84.1

- ***November 2005 Plan Restructuring Costs.*** During the fiscal years of 2010 and 2009, Diversey recorded a benefit of $(2.3) million and expense of $32.9 million, respectively, of restructuring costs related to its November 2005 Plan. During the fiscal year 2010, Diversey reduced restructuring liabilities by $2.3 million as certain individuals, formerly expected to be severed, were either retained by Diversey or resigned. Most of this reduction is associated with the European operating segment. The costs for fiscal year 2009 consisted primarily of involuntary termination costs associated with Diversey's European and American business segments.

- ***November 2005 Plan Period Costs.*** Period costs of $17.0 million and $31.0 million for 2010 and 2009, respectively, included in selling, general and administrative expenses and $2.4 million and $1.8 million for 2010 and 2009, respectively, included in cost of sales pertained to: (a) $5.6 million in 2010 ($19.6 million in 2009) for personnel related costs of employees and consultative resources associated with restructuring initiatives, (b) $2.4 million in 2010 ($7.1 million in 2009) for value chain and cost savings projects, and (c) $11.4 million in 2010 ($6.1 million in 2009) related to facilities, asset impairment charges and various other costs. The overall decrease in these expenses over the prior year was mainly due to a reduction in restructuring activities within Diversey's Corporate Center and its Greater Asia Pacific and Americas operating segments.

Non-Operating Results:

	Fiscal Year Ended		Change	
	December 31, 2010	December 31, 2009	Amount	Percentage
	(In millions)			
Interest expense	$ 148.6	$ 142.5	$ 6.1	4.3%
Interest income	(2.4)	(4.5)	2.1	46.7%
Net interest expense	$ 146.2	$ 138.0	$ 8.2	xxxx%
Notes redemption and other costs	—	48.8	(48.8)	NM
Other expense (income), net	2.7	(4.7)	7.4	157.4%

- Net interest expense increased during the year ended December 31, 2010 compared to the prior year primarily due to the recognition of additional non-cash interest expense on acceleration of amortization of discounts and capitalized debt issuance costs arising from voluntary principal payments made by Diversey Inc. on its Term Loans and Diversey's election to pay cash interest on Diversey Holdings Inc.'s 10.50% Senior Notes due 2020 on November 2011 and May 2011 (see Note 2 to Diversey's 2010 audited consolidated financial statements), the write-off of unamortized origination fees in connection with the termination of Diversey's accounts receivable securitization programs in November 2010 (see Note 7 to Diversey's 2010 audited consolidated financial statements) offset by lower interest incurred due to lower principal balances compared to fiscal 2009 and decreased interest income due to lower yield on investments and the impact of interest income on a receivable from Unilever which was settled in 2009, not recurring in 2010.
- Notes redemption and other costs pertain to certain costs that were incurred pursuant to the Recapitalization Transactions in 2009 and are explained in Note 12 to Diversey's 2010 audited consolidated financial statements.
- The change in other (income) expense, net, was primarily due to the recognition of $3.9 million in foreign currency loss resulting from our adoption of highly inflationary accounting for Diversey's Venezuelan subsidiary and gains on foreign currency positions in 2010.

Income Taxes:

	Fiscal Year Ended		Change	
	December 31, 2010	December 31, 2009	Amount	Percentage
	(In millions, except percentages)			
Income from continuing operations, before income taxes	$ 109.0	$ 15.5	$ 93.5	603.2%
Provision for income taxes	65.9	62.2	3.7	5.9%
Effective income tax rate	60.5%	400.7%		

- Diversey reported an effective income tax rate of 60.5% on the pre-tax income from continuing operations for the fiscal year ended December 31, 2010 and an effective income tax rate of 400.7% on the pre-tax income from continuing operations for the fiscal year ended December 31, 2009. The high effective income tax rates, as compared to the statutory rate, are primarily the result of increased valuation allowances against deferred tax assets for U.S. and foreign tax loss and credit carryforwards, increased valuation allowances against other net deferred tax assets, and increases in tax contingency reserves. The effective income tax rate for the fiscal year ended December 31, 2010 is lower than the effective income tax rate for the fiscal year ended December 31, 2009 primarily due to higher pre-tax income from continuing operations in 2010, reversal of valuation allowance in 2010 for certain foreign subsidiaries, and a lower income tax expense charge for tax contingency reserve in 2010.
- ***Tax Valuation Allowances.*** Based on the continued tax losses in the United States and certain foreign jurisdictions, Diversey continued to conclude that it was not more likely than not that certain deferred tax assets would be fully realized. Accordingly, Diversey recorded a charge for an additional U.S. valuation allowance of $36.1 million and $20.8 million for continuing operations for the fiscal years ended December 31, 2010 and December 31, 2009, respectively, and Diversey recorded a charge for additional valuation allowance for foreign subsidiaries of $8.8 million for continuing operations for the fiscal year ended December 31, 2009. Based on improved profitability in certain foreign jurisdictions in 2010, Diversey concluded that it was more likely than not that certain deferred tax assets, which previously were offset by a valuation allowance, would be realized. Accordingly, Diversey recorded income tax benefit for a net reduction in valuation allowance for foreign subsidiaries of $10.1 million for continuing operations for the fiscal year ended December 31, 2010. Diversey does not believe the valuation allowances recorded in fiscal years 2010 and 2009 are indicative of future cash tax expenditures.

Discontinued Operations:

	Fiscal Year Ended		Change	
	December 31, 2010	December 31, 2009	Amount	Percentage
	(In millions)			
Loss from discontinued operations	$ (10.4)	$ (2.3)	$ (8.1)	(352.2)%
Benefit for income taxes	—	(0.3)	0.3	100.0%
Loss from discontinued operations, net of taxes	$ (10.4)	$ (2.0)	$ (8.4)	(420)%

The loss from discontinued operations during the year ended December 31, 2010 included $0.8 million in after-tax additional closing costs and certain pension-related adjustments ($0.2 million after-tax costs in 2009) related to the divestiture of the Polymer business and $9.5 million after-tax loss related to the Polymer tolling agreement ($1.1 million after-tax loss in 2009). The amounts of loss from discontinued operations in both fiscal years 2010 and 2009 also included adjustments associated with the Dubois divestiture.

Net Income:

Diversey's net income increased by $81.4 million to $32.7 million for the year ended December 31, 2010 compared to the prior year. Excluding the negative impact of foreign currency exchange of $3.2 million, Diversey's net income increased by $84.6 million. This increase was primarily due to an increase of $39.5 million in gross profit, a decrease of $21.6 million in operating expenses and the one-time impact of the notes redemption and other costs in 2009 exclusive of foreign currency exchange. As previously discussed, the increase in gross profit was due to continued implementation of price increases and a favorable reduction in certain raw material costs. The reduction in operating expenses was primarily due to a decrease in restructuring expenses primarily due to the winding down of restructuring efforts and adjustments of previously recorded restructuring reserves.

Fiscal Year Ended December 31, 2009 Compared to Fiscal Year Ended December 31, 2008

Net Sales:

	Fiscal Year Ended December 31, 2009	Fiscal Year Ended December 31, 2008	Change
	(In millions)		
Net sales	$ 3,110.9	$ 3,315.9	(6.2)%
Variance due to:			
Foreign currency exchange	—	(164.1)	
Acquisitions and divestitures	—	(9.9)	
Sales agency fee income	(27.2)	(35.0)	
License Agreement revenue	(133.4)	(151.3)	
	(160.6)	(360.3)	
	$ 2,950.3	$ 2,955.6	(0.2)%

- The comparability of net sales reported in the two periods is significantly affected by the impact of foreign exchange rate movements. In addition, there were two fewer selling days in fiscal 2009 compared to fiscal 2008. As measured against prior year's results, the stronger U.S. dollar against the euro and certain other foreign currencies resulted in a $164.1 million reduction in net sales in 2009.
- Excluding the impact of foreign currency exchange rates, acquisitions, sales agency fee income and License Agreement revenue, net sales decreased by 0.2% year-over-year. This was primarily due to the global recession, reflecting a general softness in demand for Diversey's products and services. The adverse effects of the recession were mitigated in large part by the successful pricing strategies that were initiated in the last quarter of 2008. Although Diversey experienced a general decline in sales volume, Diversey's Americas region reported sales growth. The following is a review of the sales performance for each of Diversey's segments:
  - In Europe, net sales in fiscal year 2009 were flat when compared to the prior year. The 2008 sales level was sustained despite the economic recession, primarily by successfully implementing price increases and customer acquisitions across the region. Sales volume increased in certain emerging markets, such as in Central and Eastern Europe, but was offset by volume declines in Western Europe, particularly in equipment and cleaning tools and engineering sales, a result of customers deferring their capital investments.
  - In the Americas, net sales increased by 0.3% in fiscal year 2009 compared to fiscal year 2008. Growth came from emerging markets in the region, primarily through the implementation of price increases, offset by volume decreases in the lodging and retail sectors. The effects of the recession resulted in sales volume shortfalls from existing customers, but were offset by strong growth from new customers. In the United States and Canada, sales volume decreased due to reduced demand in the institutional distribution network and to our decision to exit certain underperforming food and beverage sector accounts.

- In Greater Asia Pacific, net sales decreased by 5.7% in 2009 compared to the prior year. This was primarily due to the economic recession and choices we made to discontinue low margin businesses and underperforming accounts in both direct and indirect channels in Japan, one of Diversey's major markets in this segment. Lower traffic in the lodging sector also caused a decrease in volume. Diversey experienced continuing volume improvements in developing markets such as India, and stable growth in Australia.

- ***Sales Agency Fee and License Agreement.*** In connection with the DiverseyLever acquisition in 2002, Diversey entered into the Prior Agency Agreement with Unilever, whereby Diversey acted as an exclusive sales agent in the sale of Unilever's consumer branded products to various institutional and industrial end-users. At the time of the DiverseyLever acquisition, Diversey assigned an intangible value to the Prior Agency Agreement of $13.0 million.

An agency fee was paid by Unilever to Diversey in exchange for Diversey's sales agency services. An additional fee was payable by Unilever to Diversey in the event that conditions for full or partial termination of the Prior Agency Agreement were met. Diversey elected, and Unilever agreed, to partially terminate the Prior Agency Agreement in several territories resulting in payment by Unilever to Diversey of additional fees. In association with the partial terminations, Diversey recognized sales agency fee income of $0.6 million and $0.7 million during the years ended December 31, 2009 and December 31, 2008, respectively.

In October 2007, Diversey and Unilever entered into the Umbrella Agreement to replace the Prior Agency Agreement, which covers (i) the New Agency Agreement, with terms similar to those of the Prior Agency Agreement, covering Ireland, the United Kingdom, Portugal and Brazil, and (ii) the License Agreement, under which Unilever has agreed to grant 31 of Diversey's subsidiaries a license to produce and sell professional size packs of Unilever's consumer branded cleaning products. Many of the entities covered by the License Agreement have also entered into agreements with Unilever to distribute Unilever's consumer branded products. Except for some transitional arrangements in certain countries, the Umbrella Agreement became effective January 1, 2008, and, unless otherwise terminated or extended, will expire on December 31, 2017.

The amounts of sales agency fees and License Agreement revenues earned under these agreements are reported in the preceding tables.

Gross Profit:

	Fiscal Year Ended		Change	
	December 31, 2009	December 31, 2008	Amount	Percentage
	(In millions, except percentages)			
Gross Profit	$ 1,281.9	$ 1,325.8	$ (43.9)	(3.3)%
Gross profit as a percentage of net sales	41.2%	40.0%		
Gross profit as a percentage of net sales adjusted for sales agency fee income	40.7%	39.3%		

- The comparability of gross profit between the two periods is significantly affected by the impact of foreign exchange rate movements. As measured against the same period in the prior year, the stronger U.S. dollar against the euro and certain other foreign currencies resulted in a $69.1 million reduction in gross profit in 2009.
- Diversey's gross profit percentage (based on net sales as reported) improved by 120 basis points in 2009 compared to the prior year. Excluding the impact of sale agency fee ("SAF") income, Diversey's gross profit percentage improved 140 basis points in 2009 compared to the prior year.
- The 140 basis point improvement was largely the result of increased prices and a favorable reduction in certain raw material costs, including phosphorous materials, caustic soda and chelates. These cost reductions were achieved mainly through various cost savings initiatives that Diversey aggressively built

in to its global sourcing activities, as Diversey resolved to control the effects of rising raw material prices which it experienced in the first quarter of 2009. In conjunction with these initiatives, Diversey further improved gross margins by rationalizing the number of product offerings and eliminating low margin products. In addition, Diversey implemented internal processes to more effectively monitor customer profitability.

Operating Expenses:

	Fiscal Year Ended		Change	
	December 31, 2009	December 31, 2008	Amount	Percentage
	(In millions, except percentages)			
Selling, general and administrative expenses	$ 988.1	$ 1,068.9	$ (80.8)	(7.6)%
Research and development expenses	63.3	67.1	(3.8)	(5.7)%
Restructuring expenses	32.9	57.3	(24.4)	(42.6)%
	$ 1,084.3	$ 1,193.3	$(109.0)	(9.1)%
As a percentage of net sales:				
Selling, general and administrative expenses	31.8%*	32.2%*		
Research and development expenses	2.0%	2.0%		
Restructuring expenses	1.1%	1.7%		
	34.9%	35.9%		
As a percentage of net sales adjusted for SAF:				
Selling, general and administrative expenses	32.0%*	32.6%*		
Research and development expenses	2.1%	2.0%		
Restructuring expenses	1.1%	1.7%		
	35.2%	36.3%		

* The percentages for 2009 and 2008 are 31.0% and 31.3%, respectively, when period costs associated with the November 2005 Plan are excluded from selling, general and administrative expenses.

- The comparability of operating expenses between the two years is significantly affected by the impact of foreign exchange rate movements. As measured against the same period in the prior year, the stronger U.S. dollar against the euro and certain other foreign currencies resulted in a $47.6 million reduction in operating expenses.
- ***Selling, General and Administrative Expenses.*** Excluding period costs associated with the November 2005 Plan, selling, general and administrative expenses as a percentage of net sales adjusted for SAF were 31.0% for the year ended December 31, 2009 compared to 31.3% for the prior year. Excluding the impact of foreign currency, selling, general and administrative costs declined $33.7 million in 2009 compared to the prior year. This favorable decline was mainly due to cost savings under Diversey's November 2005 Plan and its aggressive expense control management in response to economic conditions. Diversey achieved these savings while maintaining and improving its customer-facing capabilities.
- ***Research and Development Expenses.*** Excluding the impact of foreign currency, research and development expenses decreased by $1.5 million during the year ended December 31, 2009 compared to the prior year. This cost reduction was largely due to globalization of the function and investments in technology, which improved Diversey's efficiency.

- ***Restructuring Expenses.*** Excluding the impact of foreign currency, restructuring expenses decreased $26.0 million during the year ended December 31, 2009 compared to the prior year. This was mainly due to decreased employee severance and other expenses related to the November 2005 Plan, consisting primarily of involuntary termination costs associated with Diversey's European operating segment.

Restructuring:

A summary of all costs associated with the November 2005 Plan during 2009 and 2008, and since its inception in November 2005, is outlined below:

	Fiscal Year Ended December 31, 2009	Fiscal Year Ended December 31, 2008	Total Project to Date
	(In millions)		
Reserve balance at beginning of period	$ 60.1	$ 46.2	$ —
Restructuring costs charged to income	32.9	57.3	236.7
Liability adjustments	—	—	0.3
Payments of accrued costs	(44.6)	(43.4)	(188.6)
Reserve balance at end of period	$ 48.4	$ 60.1	$ 48.4
Period costs classified as selling, general and administrative expenses	$ 31.0	$ 42.2	$ 302.3
Period costs classified as cost of sales	1.8	0.6	6.2
Capital expenditures	22.3	20.8	84.1

- ***November 2005 Plan Restructuring Costs.*** During the years ended December 31, 2009 and December 31, 2008, Diversey recorded $32.9 million and $57.3 million, respectively, of restructuring costs related to its November 2005 Plan. Costs for fiscal year 2009 consisted primarily of severance costs associated with Diversey's European and Americas operating segments and the costs for fiscal year 2008 consisted primarily of severance costs associated with its European and Greater Asia Pacific operating segments.
- ***November 2005 Plan Period Costs.*** Period costs of $31.0 million and $42.2 million for 2009 and 2008, respectively, included in selling, general and administrative expenses and $1.8 million and $0.6 million for 2009 and 2008, respectively, included in cost of sales pertained to: (a) $19.6 million in 2009 ($20.5 million in 2008) for personnel related costs of employees and consultative resources associated with restructuring initiatives, (b) $7.1 million in 2009 ($3.2 million in 2008) for value chain and cost savings projects, and (c) $6.1 million in 2009 ($19.1 million in 2008) related to facilities, asset impairment charges and various other costs. The overall decrease in these expenses over the prior year was mainly due to a reduction in restructuring activities within Diversey's European and Americas operating segments as well as the Corporate Center.

Non-Operating Results:

	Fiscal Year Ended December 31, 2009	Fiscal Year Ended December 31, 2008	Change Amount	Change Percentage
	(In millions)			
Interest expense	$ 142.5	$ 153.2	$ (10.7)	(7.0)%
Interest income	(4.6)	(7.7)	3.1	43.7%
Net interest expense	$ 137.9	$ 145.5	$ (7.6)	(5.2)%
Notes redemption and other costs	48.8	—	48.8	NM
Other expense (income), net	(4.7)	5.7	(10.4)	(182.5)%

- Net interest expense decreased during the year ended December 31, 2009 compared to the same period in the prior year primarily due to lower interest rates on borrowings, offset by decreased interest income on lower average cash balances and a lower yield on investments.
- Notes redemption and other costs pertain to certain costs that were incurred pursuant to the Recapitalization Transactions and are explained in Note 12 to Diversey's 2010 audited consolidated financial statements. They include the write-off of $24.9 million of unamortized discount on the redeemed Diversey Inc. senior subordinated notes and Diversey Holdings Inc. senior discount notes, $20.3 million for the early redemption premium on such previously outstanding debt and $3.2 million for the termination of interest rate swaps related to Diversey's terminated Term Loan B.
- Other expense (income) improved due to gains on foreign currency positions.

Income Taxes:

	Fiscal Year Ended		Change	
	December 31, 2009	December 31, 2008	Amount	Percentage
	(In millions, except percentages)			
Income (loss) from continuing operations, before income taxes	$ 15.5	$ (18.6)	$ 34.1	183.3%
Provision for income taxes	62.2	51.3	10.9	21.2%
Effective income tax rate	400.7%	(275.2)%		

- Diversey reported an effective income tax rate of 400.7% on the pre-tax income from continuing operations for the fiscal year ended December 31, 2009, and an effective income tax rate of –275.2% on the pre-tax income from continuing operations for the fiscal year ended December 31, 2008. The high effective income tax rates were primarily the result of increased valuation allowances against deferred tax assets for U.S. and foreign tax loss and credit carryforwards, increased valuation allowances against other net deferred tax assets, and increases in tax contingency reserves.
- ***Tax Valuation Allowances.*** Based on the continued tax losses in various jurisdictions, Diversey continued to conclude that it was not more likely than not that certain deferred tax assets would be fully realized. Accordingly, Diversey recorded a charge for an additional U.S. valuation allowance of $20.8 million and $22.7 million for continuing operations for the years ended December 31, 2009 and December 31, 2008, respectively, and Diversey recorded a charge for additional valuation allowance for foreign subsidiaries of $8.8 million and $11.6 million for continuing operations for the years ended December 31, 2009 and December 31, 2008, respectively.

Discontinued Operations:

	Fiscal Year Ended		Change	
	December 31, 2009	December 31, 2008	Amount	Percentage
	(In millions, except percentages)			
Income (loss) from discontinued operations	$ (2.3)	$ 21.7	$ (24.0)	(110.5)%
(Benefit) provision for income taxes	(0.3)	11.3	(11.6)	(102.7)%
Income (loss) from discontinued operations, net of taxes	$ (2.0)	$ 10.4	$ (12.4)	(118.9)%

The loss from discontinued operations during the year ended December 31, 2009 included $0.6 million related to after-tax income associated with the DuBois divestiture ($10.3 million after-tax income in 2008), and $1.3 million after-tax loss related to the Polymer divestiture ($0.1 million after-tax income in 2008).

Net Income:

Diversey's net loss decreased by $10.9 million to $48.6 million for the year ended December 31, 2009 compared to the prior year. Excluding the negative impact of foreign currency exchange of $10.7 million, Diversey's net loss decreased by $21.6 million. This increase was primarily due to an increase of $25.2 million in gross profit, a decrease of $61.2 million in operating expenses, a favorable decrease in net interest expense and increase in other income, offset by the notes redemption and other costs of $48.8 million related to the Recapitalization Transactions and a decrease in income from discontinued operations. As previously discussed, the increase in gross profit was due to increased prices and a favorable reduction in certain raw material costs. The reduction in operating expenses was primarily due to savings from Diversey's November 2005 Plan.

Liquidity

Historical Cash Flows

	Six Months Ended		Change	
	July 1, 2011	July 2, 2010	Amount	Percentage
	(In millions, except percentages)			
Net cash provided by operating activities	$ (53.5)	$ (28.3)	$ (25.2)	(89.0)%
Net cash used in investing activities	(51.4)	(33.9)	(17.5)	(51.6)%
Net cash provided by (used in) financing activities	5.0	(2.1)	7.1	338.1%
Capital expenditures(1)	49.6	36.2	13.4	37.0%

	As of		Change	
	July 1, 2011	December 31, 2010	Amount	Percentage
	(In millions, except percentages)			
Cash and cash equivalents	$ 71.7	$ 169.1	$ (97.4)	(57.6)%
Working capital(2)	578.6	481.1	97.5	20.3%
Short-term borrowings	40.0	24.2	15.8	65.3%
Total debt	1,526.2	1,479.4	46.8	3.2%

(1) Includes expenditures for capitalized computer software.

(2) Working capital is defined as net accounts receivable, plus inventories less accounts payable (including related party amounts).

- The increase in net cash used in operating activities during the six months ended July 1, 2011 as compared to the same period last year was primarily the increase in working capital during the current period, explained below.
- The increase in net cash used in investing activities during the six months ended July 1, 2011 as compared to the same period last year was primarily due to an increase of $13.4 million in capital expenditures and the acquisition of business and other intangibles (see Note 5 to Diversey's July 1, 2011 unaudited consolidated interim financial statements).
- The increase in net cash provided by financing activities during the six months ended July 1, 2011 as compared to the same period last year was mainly due to an increase in proceeds from short-term borrowings.
- The decrease in cash and cash equivalents as of July 1, 2011 compared to December 31, 2010 resulted primarily from cash used in operating activities and $49.6 million in capital expenditures.
- Working capital increased by $97.5 million during the six months ended July 1, 2011. This increase resulted primarily from a $64.2 million increase in inventories and an increase of $70.6 million in accounts receivable offset by an increase of $37.3 million in accounts payable. The increase in inventories was primarily driven by a build up for new product offerings, the transition of Diversey's manufacturing operations, and normal seasonal build patterns. The increase in accounts payable was primarily a result of the increase in inventories and the impact of a generally weaker U.S. dollar compared to other foreign currencies. The increase in accounts receivable was primarily the result of an increase in sales and the impact of a generally weaker U.S. dollar compared to other foreign currencies.

- As of July 1, 2011, short-term borrowings primarily consisted of borrowings by Diversey's foreign subsidiaries on local lines of credit, which totaled $40.0 million at a weighted average interest rate of approximately 6.97%. Local credit arrangements vary by country and are primarily used to fund working capital. The maximum amount of short-term borrowings during 2011 was $49.2 million.
- Total debt increased primarily as a result of the impact on our foreign currency denominated loans of a weaker dollar against the euro and other foreign currencies.

	Fiscal Year Ended		Change	
	December 31, 2010	December 31, 2009	Amount	Percentage
	(In millions, except percentages)			
Net cash provided by operating activities	$ 139.0	$ 143.8	$ (4.8)	(3.3)%
Net cash used in investing activities	(94.2)	(89.2)	(5.0)	(5.6)%
Net cash provided by (used in) financing activities	(136.5)	81.5	(218.0)	(267.5)%
Capital expenditures(1)	94.7	94.3	0.4	0.4%

	As of		Change	
	December 31, 2010	December 31, 2009	Amount	Percentage
	(In millions, except percentages)			
Cash and cash equivalents	$ 169.1	$ 249.7	$ (80.6)	(32.3)%
Working capital(2)	481.1	418.4	62.7	15.0%
Short-term borrowings	24.2	27.7	(3.5)	(12.5)%
Total debt	1,479.4	1,631.2	(151.8)	(9.3)%

(1) Includes expenditures for capitalized computer software.

(2) Working capital is defined as net accounts receivable, plus inventories less accounts payable (including related party amounts).

- The decrease in net cash provided by operating activities during the year ended December 31, 2010 compared to the prior year was primarily due to the use of funds to reduce accounts payable balances, offsetting the higher net income in the year ended December 31, 2010.
- The increase in net cash used in investing activities during the year ended December 31, 2010 compared to the prior year was primarily due to a decrease in proceeds from the disposal of property, plant and equipment. Capital expenditures were flat compared to the prior year. Diversey's capital investments tend to be in dosing and feeder equipment with new and existing customer accounts, as well as ongoing expenditures in information technology, manufacturing and innovation development.
- The increase in net cash provided by (used in) financing activities during the year ended December 31, 2010 compared to the prior year was primarily due to $133.8 million in optional and mandatory repayments of long-term debt and interest payments on Diversey Holdings, Inc.'s 10.50% Senior Notes due 2020. The increase in long-term debt in 2009 was due to the issuance of long-term borrowings in connection with the Recapitalization Transactions (as defined below) on November 24, 2009.
- The decrease in cash and cash equivalents at December 31, 2010 compared to December 31, 2009 resulted primarily from $133.8 million in mandatory and optional repayments of long-term borrowings and interest paid on Diversey Holdings, Inc.'s 10.50% Senior Notes due 2020, partially offset by improved cash generated by operating activities.
- Working capital increased by $62.7 million during the year ended December 31, 2010. This resulted from a $64.7 million decrease in accounts payable and a $7.3 million increase in inventories, offset by a $9.2 million decrease in accounts receivable. The decrease in accounts payable was due to a number of factors, including taking advantage of negotiated discounts with vendors driven by Diversey's global sourcing initiative. The increase in inventories was primarily driven by a build up for new product

offerings, the transition of Diversey's manufacturing capability, and variability in customer ordering patterns. The decrease in accounts receivable reflects Diversey's continuing efforts to aggressively manage its collection programs.

- As of December 31, 2010, short-term borrowings primarily consisted of borrowings by Diversey's foreign subsidiaries on local lines of credit, which totaled $24.2 million at a weighted average interest rate of approximately 4.94%. Local credit arrangements vary by country and are primarily used to fund working capital. The maximum amount of short-term borrowings during 2010 was about $58.9 million. This peak level of borrowing was primarily to fund seasonal working capital requirements, and borrowings under receivables facilities that have since been terminated by Diversey.
- Total debt decreased primarily as a result of $133.8 million in optional and mandatory repayments of Diversey's term loans, as previously discussed, and the impact of a weaker euro on its euro denominated term loans.

Restricted Cash

In December 2009, Diversey transferred $27.4 million to irrevocable trusts for the settlement of certain obligations associated with the November 2005 Plan. At July 1, 2011, Diversey carried the balance of $12.1 million related to these accounts as restricted cash on its consolidated balance sheet. See Note 7 to Diversey's July 1, 2011 unaudited consolidated interim financial statements.

Measurement of Income Tax Reserve Position

For the fiscal year ending December 31, 2011, Diversey expects to increase income tax reserve liabilities by $6.7 million, resulting in total income tax reserve liabilities of $43.8 million. Total income tax reserve liabilities for which payments are expected in less than one year are $7.7 million. Diversey is not able to provide a reasonably reliable estimate of the timing of future payments relating to non-current income tax reserve liabilities.

Off-Balance Sheet Arrangements

Prior to November 2010, Diversey Inc. and certain of its subsidiaries entered into an agreement (the "Receivables Facility"), as amended, whereby they sold, on a continuous basis, certain trade receivables to JWPR Corporation ("JWPRC"), a wholly-owned, consolidated, special purpose, bankruptcy-remote subsidiary of Diversey Inc. JWPRC was formed in March 2001 for the sole purpose of buying and selling receivables generated by Diversey Inc. and certain of its subsidiaries party to the Receivables Facility. JWPRC sold an undivided interest in the accounts receivable to a non-consolidated financial institution (the "Conduit") for an amount equal to the value of all eligible receivables (as defined under the receivables sale agreement between JWPRC and the Conduit) less the applicable reserve. The total potential for securitization of trade receivables under the Receivables Facility at December 31, 2009 was $50.0 million. The maturity date of the Receivables Facility, as amended, was December 19, 2011. In November 2010, JWPRC terminated the Receivables Facility.

Also, prior to November 2010, certain subsidiaries of Diversey Inc. entered into agreements (the "European Receivables Facility") to sell, on a continuous basis, certain trade receivables originated in the United Kingdom, France and Spain to JDER Limited ("JDER"), a wholly-owned, consolidated, special purpose, bankruptcy-remote subsidiary of Diversey Inc. JDER was formed in September 2009 for the sole purpose of buying and selling receivables originated by subsidiaries of Diversey subject to the European Receivables Facility. JDER sold an undivided interest in the accounts receivable to a non-consolidated financial institution (the "European Conduit") for an amount equal to the value of the eligible receivables less the applicable reserve. The total amount available for securitization of trade receivables under the European Receivables Facility was €50.0 million. The maturity date of the European Receivables Facility was September 8, 2012. In November 2010, JDER terminated the European Receivables Facility.

Effective January 1, 2010, the accounting treatment for Diversey's receivables securitization facilities required that accounts receivable sold to the Conduit and to the European Conduit be included in accounts receivable, with a corresponding increase in short-term borrowings.

As a result of the facility terminations, JDER repurchased the remaining receivables transferred to the European Conduit, and transferred its retained interest in receivables back to the subsidiaries that originated them. JWPRC also transferred its retained interest in receivables back to the subsidiaries that originated them; it did not have any receivables outstanding with the Conduit. Moreover, $2.8 million of unamortized fees were written off and included in interest expense in Diversey's consolidated statements of operations.

As of December 31, 2010 and December 31, 2009, Diversey had a retained interest of $0 and $60.0 million, respectively, in the receivables of JWPRC, and of $0 and $110.4 million, respectively, in the receivables of JDER. The retained interest is included in the accounts receivable balance and is reflected in the consolidated balance sheets at estimated fair value.

Prior to the effective date of the change in accounting treatment, as of December 31, 2009, the European Conduit held $18.7 million of accounts receivable that were not included in the accounts receivable balance on Diversey's consolidated balance sheet.

Related Party Transactions

Until 1999, Diversey Inc. was part of SCJ. In connection with Diversey Inc.'s spin-off from SCJ in November 1999, Diversey Inc. entered into a number of agreements relating to the separation and its ongoing relationship with SCJ after the spin-off. A number of these agreements relate to Diversey Inc.'s ordinary course of business, while others pertain to Diversey Inc.'s historical relationship with SCJ and its former status as a wholly owned subsidiary of SCJ.

For further discussion of related party transactions, see "Certain Relationships and Related Party Transactions" and Note 24 to Diversey's 2010 audited consolidated financial statements.

Acquisitions

Intangible Acquisition

In June 2008, Diversey Inc. purchased certain intangible assets relating to a cleaning technology for an aggregate purchase price of $8.0 million. The purchase price includes a $1.0 million non-refundable deposit made in July 2007; $5.0 million paid at closing; and $2.0 million of future payments that are contingent upon, among other things, achieving commercial production. Assets acquired include primarily intangible assets, consisting of trademarks, patents, technological know-how, customer relationships and a non-compete agreement. Diversey Inc. paid the sellers $1.0 million in both September 2008 and December 2008 having met certain contingent requirements.

In conjunction with the acquisition, Diversey Inc. and the sellers entered into a consulting agreement, under which Diversey Inc. was required to pay to the sellers $1.0 million in fiscal 2009. Diversey Inc. paid the sellers $0.5 million in both January 2009 and July 2009 as the sellers met the contingent requirements. In December 2010, Diversey Inc. and the sellers amended the consulting agreement and Diversey Inc. recorded an additional consideration of $0.4 million, which was capitalized and allocated to the purchase price as technical know-how.

In addition to the purchase price discussed above, Diversey previously maintained an intangible asset in its consolidated balance sheets in the amount of $4.7 million, representing a payment from Diversey to the sellers in a previous period in exchange for an exclusive distribution license agreement relating to this technology. This distribution agreement was terminated as a result of the acquisition and the value of this asset was considered in the final allocation of purchase price.

At July 1, 2011, after consideration of the contingent payments and increased consideration described above, Diversey's allocation of purchase price was as follows (in millions):

	Fair Value	Useful Life
Trademarks	$ 0.5	Indefinite
Patents	0.1	18 years
Technical know-how	12.2	20 years
Customer relationships	0.4	10 years
Non-compete	0.6	10 years

Joint Venture

In December 2010, Diversey Inc. and Atlantis Activator Technologies LLC ("Atlantis"), an Ohio-based limited liability company, formed a joint venture, Proteus Solutions, LLC ("Proteus"), to develop and market products for laundry and other applications. Diversey Inc. contributed $3.4 million and Atlantis contributed intellectual property, with each holding a 50% interest in Proteus. Diversey expects to provide operational funding and management resources to Proteus following formalization of the business plan. The joint venture is not expected to generate operating results until the second half of fiscal 2011. At July 1, 2011, Diversey's investment in Proteus is included at cost in other assets in the consolidated balance sheets.

Divestitures

Auto-Chlor Master Franchise and Branch Operations

In December 2007, in conjunction with its November 2005 Plan, Diversey Inc. executed a sales agreement for its Auto-Chlor Master Franchise and substantially all of its remaining Auto-Chlor branch operations in North America, a business that marketed and sold low-energy dishwashing systems, kitchen chemicals, laundry and housekeeping products and services to food service, lodging, health care and institutional customers, for $69.8 million.

The transaction closed on February 29, 2008, resulting in a net book gain of approximately $1.3 million after taxes and related costs. The gain associated with these divestiture activities is included as a component of selling, general and administrative expenses in the accompanying consolidated statements of operations. In fiscal years 2010 and 2009, Diversey recorded adjustments related to closing costs and pension-related settlement charges, reducing the gain by $0.2 million each. Additional post-closing adjustments are not anticipated to be significant.

Net sales associated with these businesses were approximately $9.9 million for the fiscal year ended December 31, 2008.

Discontinued Operations

DuBois

On September 26, 2008, Diversey Inc. and JohnsonDiversey Canada, Inc., a wholly-owned subsidiary of Diversey Inc., sold substantially all of the assets of DuBois to The Riverside Company ("Riverside"), for approximately $69.7 million, of which, $5.0 million was escrowed subject to meeting certain fiscal year 2009 performance measures and $1.0 million was escrowed subject to resolution of certain environmental representations by Diversey. The purchase price was also subject to certain post-closing adjustments that were based on net working capital targets and performance measures. Finalization of the working capital adjustment in the first quarter of 2009 did not require any purchase price adjustment. In July of 2009, Diversey Inc. met certain environmental representations and Riverside released the $1.0 million escrow to Diversey Inc. Diversey Inc. and Riverside finalized certain performance related adjustments during the second quarter of 2010 which did not require any purchase price adjustment.

The sale of Dubois resulted in a gain of approximately $14.8 million ($6.2 million after tax) being recorded in the fiscal year ended December 31, 2008, net of related costs. During the fiscal year ended

December 31, 2009, Diversey Inc. reduced the gain by approximately $0.9 million ($0.6 million after tax) as a result of additional one-time costs, pension-related settlement charges, partially offset by proceeds from the environmental escrow. During the fiscal year ended December 31, 2010, Diversey Inc. reduced the gain by $0.1 million ($0.1 million after tax income) as a result of additional one-time costs and pension-related settlement charges. Any additional post-closing adjustments are not anticipated to be significant.

Income from discontinued operations relating to DuBois was comprised of the following (in millions):

	Fiscal Year Ended		
	December 31, 2010	December 31, 2009	December 31, 2008
Income from discontinued operations before taxes and gain from sale	$ —	$ —	$ 6.6
Tax provision on income from discontinued operations	—	—	(2.5)
Gain (loss) on sale of discontinued operations before taxes	(0.1)	(0.9)	14.8
Tax benefit (provision) on gain (loss) from sale of discontinued operations	—	0.2	(8.5)
Income (loss) from discontinued operations	$ (0.1)	$ (0.7)	$ 10.4

The asset purchase agreement relating to the DuBois disposition refers to ancillary agreements governing certain relationships between the parties, including a distribution agreement and supply agreement, each of which is not considered material to Diversey's consolidated financial results.

Polymer Business

On June 30, 2006, Johnson Polymer, LLC ("Johnson Polymer") and JohnsonDiversey Holdings II B.V. ("Holdings II"), an indirectly owned subsidiary of Diversey Inc., completed the sale of substantially all of the assets of one of its former operating segments (the "Polymer Business") to BASF Aktiengesellschaft ("BASF") for approximately $470.0 million plus an additional $8.1 million in connection with the parties' estimate of purchase price adjustments that are based upon the closing net asset value of the Polymer Business. Further, BASF paid Diversey $1.5 million for the option to extend the tolling agreement (described below) by up to six months. In December 2006, Diversey Inc. finalized purchase price adjustments with BASF related to the net asset value and we received an additional $4.1 million.

The Polymer Business developed, manufactured, and sold specialty polymers for use in the industrial print and packaging industry, industrial paint and coatings industry, and industrial plastics industry. The Polymer Business was a non-core asset of Diversey and had been reported as a separate operating segment. The sale resulted in a gain of approximately $352.9 million ($256.7 million after tax), net of related costs.

Diversey Inc. recorded additional closing costs, reducing the gain by $0.2 million ($0.2 million after tax loss), during the fiscal year ended December 31, 2008. During the fiscal year ended December 31, 2009, Diversey Inc. recorded certain pension-related adjustments and additional closing costs, reducing the gain by $0.2 million ($0.2 million after tax loss). During the fiscal year ended December 31, 2010, Diversey Inc. recorded certain pension-related adjustments and additional closing costs, reducing the gain by $0.8 million ($0.8 million after tax loss). Any additional post-closing adjustments are not anticipated to be significant.

The asset and equity purchase agreement relating to the disposition of the Polymer Business refers to ancillary agreements governing certain relationships between the parties, including a supply agreement and tolling agreement, each of which is not considered material to Diversey's consolidated financial results.

Supply Agreement

A ten-year global agreement provides for the supply of polymer products to Diversey by BASF. Unless either party provides notice of its intent not to renew at least three years prior to the expiration of the ten-year term, the term of the agreement will extend for an additional five years. The agreement requires that Diversey Inc. purchase a specified percentage of related products from BASF during the term of agreement. Subject to certain adjustments, Diversey Inc. has a minimum volume commitment during each of the first five years of the agreement.

Tolling Agreement

A three-year agreement provided for the toll manufacture of polymer products by Diversey Inc., at its manufacturing facility in Sturtevant, Wisconsin, for BASF. The agreement, after a nine month extension, was terminated on March 2010. The agreement specified product pricing and provides BASF the right to purchase certain equipment retained by Diversey Inc.

In association with the tolling agreement, Diversey Inc. agreed to pay $11.4 million in compensation to SCJ, a related party, primarily related to pre-payments and the right to extend terms on the lease agreement at the Sturtevant, Wisconsin manufacturing location. Diversey amortized $9.2 million of the payment into the results of the tolling operation over the term of the tolling agreement, with the remainder recorded as a reduction of the gain on discontinued operations.

Diversey considered its continuing involvement with the Polymer Business, including the supply agreement and tolling agreement, concluding that neither the related cash inflows nor cash outflows were direct, due to the relative insignificance of the continuing operations to the disposed business.

Income from discontinued operations relating to the Polymer Business was comprised of the following (in millions):

	Fiscal Year Ended		
	December 31, 2010	December 31, 2009	December 31, 2008
Loss on sale of discontinued operations before taxes	$ (0.8)	$ (0.2)	$ (0.2)
Tax benefit on loss from sale of discontinued operations	—	—	—
Income (loss) from tolling operations	(9.5)	(1.1)	0.5
Tax (provision) benefit on income (loss) from tolling operations	—	—	(0.2)
Income (loss) from discontinued operations	$ (10.3)	$ (1.3)	$ 0.1

Quantitative and Qualitative Disclosures About Market Risk

Market risk relating to Diversey's operations results primarily from its debt level as well as changes in foreign exchange rates and interest rates. In addition, risk exposures associated with raw material price changes and customer credit have increased significantly relative to Diversey's historical experience due to the recent global economic slowdown, the credit crisis, and unprecedented volatility and unpredictability of raw material prices. The following discussion does not consider the effects that an adverse change may have on the overall economy, and it also does not consider additional actions Diversey may take to mitigate our exposure to these changes. Diversey cannot guarantee that the actions it takes to mitigate these exposures will be successful.

Foreign Currency Risk

Diversey conducts its business in various regions of the world and exports and imports products to and from many countries. Diversey's operations may, therefore, be subject to volatility because of currency fluctuations, inflation changes and changes in political and economic conditions in these countries. Sales and expenses are frequently denominated in local currencies, and results of operations may be affected adversely as currency fluctuations affect product prices and operating costs. Diversey engages in hedging operations, including forward foreign exchange contracts, to reduce the exposure of its cash flows to fluctuations in foreign currency rates. All hedging instruments are designated and effective as hedges, in accordance with GAAP. Other instruments that do not qualify for hedge accounting are marked to market with changes recognized in current earnings. Diversey does not engage in hedging for speculative investment reasons. There can be no assurance that Diversey's hedging operations will eliminate or substantially reduce risks associated with fluctuating currencies.

Based on our overall foreign exchange exposure, Diversey estimates that a 10% change in the exchange rates would not materially affect its financial position and liquidity. The effect on Diversey's results of operations would be substantially offset by the impact of the hedged items.

Raw Materials Price Risk

Diversey utilizes a variety of raw materials in the manufacture of our products, including surfactants, polymers and resins, fragrances, solvents, caustic soda, waxes, chelates and phosphates, which have experienced significant fluctuations in prices. In addition, Diversey's freight costs as well as raw material costs for certain of its floor care products have been unfavorably impacted by volatile energy prices (primarily oil and natural gas). Diversey's profitability is sensitive to changes in the costs of these materials caused by changes in supply, demand, or other market conditions, over which Diversey has little or no control. In response to inflationary pressures, Diversey implements price increases to recover costs to the fullest extent possible and pursues cost reduction initiatives; however, Diversey may not be able to pass on these increases in whole or in part to its customers or realize cost savings needed to offset these increases.

Customer Credit Risk

Customer credit risk is the possibility of loss from customers' failure to make payments according to contract terms. Given the recent credit crisis and volatility of the financial markets, Diversey continues to monitor credit risk. Through July 1, 2011, Diversey has not experienced an increased level of bad debt relative to its historical bad debt experience, and Diversey believes that it is fully reserved for this financial risk as of July 1, 2011. As a result of the recent global economic slowdown and the tight credit markets, Diversey's customers may be delayed in obtaining, or may not be able to obtain, necessary financing for their purchases of Diversey's products. A lack of liquidity in the capital markets may cause Diversey's customers to increase the time they take to pay or default on their payment obligations, which would negatively affect Diversey's results. Diversey has an active collections program in place to help mitigate this potential market risk to the fullest extent possible.

Exhibit 99.6

DIVERSEY HOLDINGS, INC.

CONSOLIDATED BALANCE SHEETS

	July 1, 2011	December 31, 2010
	(Unaudited)	
	(Dollars in thousands, except share data)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 71,723	$ 169,094
Restricted cash	12,099	20,407
Accounts receivable, less allowance of $20,576 and $19,888, respectively	630,241	563,006
Accounts receivable — related parties	9,786	6,433
Inventories	327,487	263,247
Deferred income taxes	24,041	24,532
Other current assets	167,115	163,307
Total current assets	1,242,492	1,210,026
Property, plant and equipment, net	426,399	410,507
Capitalized software, net	53,087	52,980
Goodwill	1,331,271	1,263,431
Other intangibles, net	199,359	194,175
Other assets	170,702	152,894
Total assets	$3,423,310	$3,284,013
LIABILITIES, CLASS B SHARES AND EQUITY AWARDS SUBJECT TO CONTINGENT REDEMPTION AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Short-term borrowings	$ 40,041	$ 24,205
Current portion of long-term borrowings	9,885	9,498
Accounts payable	357,531	327,831
Accounts payable — related parties	31,432	23,794
Accrued expenses	415,883	463,319
Total current liabilities	854,772	848,647
Pension and other post-retirement benefits	231,446	226,682
Long-term borrowings	1,476,259	1,445,678
Deferred income taxes	122,195	114,358
Other liabilities	120,458	125,893
Total liabilities	2,805,130	2,761,258
Commitments and contingencies		
Class B shares and equity awards subject to contingent redemption features — $0.01 par value; 20,000,000 shares authorized; 2,563,161 shares issued and outstanding at July 1, 2011 and 1,490,971 shares issued and outstanding at December 31, 2010	36,686	35,871
Stockholders' equity:		
Class A common stock — $0.01 par value; 200,000,000 shares authorized; 99,764,706 shares issued and outstanding at July 1, 2011 and December 31, 2010	998	998
Capital in excess of par value	556,747	554,244
Accumulated deficit	(283,973)	(309,785)
Accumulated other comprehensive income	307,722	241,427
Total stockholders' equity	581,494	486,884
Total liabilities, Class B shares and equity awards subject to contingent redemption and stockholders' equity	$3,423,310	$3,284,013

The accompanying notes are an integral part of the consolidated financial statements

DIVERSEY HOLDINGS, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

	Six Months Ended	
	July 1, 2011	July 2, 2010
	(Unaudited) (Dollars in thousands)	
Net sales:		
Net product and service sales	$1,626,895	$1,530,071
Sales agency fee income	12,865	11,906
	1,639,760	1,541,977
Cost of sales	959,026	879,657
Gross profit	680,734	662,320
Selling, general and administrative expenses	514,045	504,271
Research and development expenses	36,290	33,257
Restructuring credits	(1,149)	(2,520)
Operating profit	131,548	127,312
Other (income) expense:		
Interest expense	67,284	69,908
Interest income	(1,209)	(881)
Other (income) expense, net	110	3,754
Income from continuing operations before income taxes	65,363	54,531
Income tax provision	39,466	39,908
Income from continuing operations	25,897	14,623
Loss from discontinued operations, net of income taxes	—	(9,061)
Net income	$ 25,897	$ 5,562

The accompanying notes are an integral part of the consolidated financial statements

DIVERSEY HOLDINGS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months Ended	
	July 1, 2011	July 2, 2010
	(Unaudited) (Dollars in thousands)	
Cash flows from operating activities:		
Net income	$ 25,897	$ 5,562
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	50,387	45,453
Amortization of intangibles	7,855	8,737
Amortization and direct expense of debt issuance costs	9,956	5,700
Accretion of original issue discount	3,195	1,478
Interest accreted on notes payable	—	12,469
Deferred income taxes	1,130	17,501
Loss on disposal of discontinued operations	—	754
Loss from divestitures	—	101
Japan inventory loss	701	—
Loss (Gain) on property, plant and equipment disposals	(193)	103
Stock-based compensation	6,173	7,284
Other	3,319	8,476
Changes in operating assets and liabilities, net of effects from acquisitions and divestitures of businesses:		
Accounts receivable	(49,148)	(11,613)
Inventories	(52,672)	(30,751)
Other current assets	2,176	(4,949)
Accounts payable and accrued expenses	(33,730)	(103,450)
Other assets	(14,071)	2,618
Other liabilities	(14,469)	6,217
Net cash used in operating activities	(53,494)	(28,310)
Cash flows from investing activities:		
Capital expenditures	(38,807)	(30,237)
Expenditures for capitalized computer software	(10,783)	(5,977)
Proceeds from property, plant and equipment disposals	646	3,200
Acquisitions of businesses and other intangibles	(2,463)	—
Net costs of divestiture of businesses	—	(855)
Net cash used in investing activities	(51,407)	(33,869)
Cash flows from financing activities:		
Proceeds from short-term borrowings, net	15,606	(915)
Repayments of long-term borrowings	(4,893)	(4,619)
Payment of costs for equity redemption and issuance	—	(961)
Proceeds related to stock-based long-term incentive plans	60	9,467
Repurchase and redemption of Class B equity	(2,915)	—
Payment of debt issuance costs	(2,806)	(4,949)
Dividends paid	(85)	(81)
Net cash provided by (used in) financing activities	4,967	(2,058)
Effect of exchange rate changes on cash and cash equivalents	2,563	(4,256)
Change in cash and cash equivalents	(97,371)	(68,493)
Beginning balance	169,094	249,713
Ending balance	$ 71,723	$ 181,220
Supplemental cash flows information		
Cash paid during the period:		
Interest, net	$ 55,605	$ 53,252
Income taxes	34,030	14,469

The accompanying notes are an integral part of the consolidated financial statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
July 1, 2011
(Unaudited)

1. Description of the Company

Diversey Holdings, Inc. ("Holdings" or the "Company") directly owns all of the shares of Diversey, Inc. ("Diversey"). The Company is a holding company and its sole business interest is the ownership and control of Diversey and its subsidiaries. Diversey is a leading global marketer and manufacturer of commercial cleaning, hygiene, operational efficiency, appearance enhancing products and equipment and related services and solutions for food safety and service, food and beverage plant operations, floor care, housekeeping and room care, laundry and skin care. Diversey serves institutional and industrial end-users such as food service providers, lodging establishments, food and beverage processing plants, building service contractors, building managers and property owners, retail outlets, schools and health-care facilities in more than 175 countries worldwide.

2. Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") for interim financial information and pursuant to the rules and regulations of the U.S. Securities and Exchange Commission ("SEC"). Accordingly, they do not include all of the information and footnotes required for complete financial statements. In the opinion of management, all normal recurring adjustments considered necessary to present fairly the financial position of the Company as of July 1, 2011 and its results of operations for the six months ended July 1, 2011 and cash flows for the six months ended July 1, 2011 have been included. The results of operations for the six months ended July 1, 2011 are not necessarily indicative of the results to be expected for any subsequent interim period or for the full fiscal year ending December 31, 2011. It is recommended that the accompanying consolidated financial statements be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2010. As a public reporting company, the Company evaluates subsequent events through the date the financial statements are issued.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Diversey Holdings, Inc., Diversey, Inc., and its wholly owned subsidiaries. All inter-company balances and transactions have been eliminated upon consolidation.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

The Company uses estimates and assumptions in accounting for the following significant matters, among others:

- Allowances for doubtful accounts
- Inventory valuation and allowances
- Valuation of acquired assets and liabilities
- Useful lives of property and equipment and intangible assets

- Goodwill and other long-lived asset impairment
- Contingencies
- Accounting for income taxes
- Stock-based compensation
- Customer rebates and discounts
- Environmental remediation costs
- Pensions and other post-retirement benefits

Actual results may differ from previously estimated amounts, and such differences may be material to the consolidated financial statements. The Company periodically reviews estimates and assumptions, and the effects of revisions are reflected in the period in which the revision is made. No significant revisions to estimates or assumptions were made during the periods presented in the accompanying consolidated financial statements.

Unless otherwise indicated, all monetary amounts, except per share data, are stated in thousand dollars.

Accrued Employee-Related Expenses

The Company accrues employee compensation costs relating to payroll, payroll taxes, vacation, bonuses and incentives when incurred. During the three months ended July 1, 2011, the Company modified its performance-based compensation plans resulting in a $6,500 reduction of accrued expenses recorded as of April 1, 2011 and a reduction of selling, general, and administrative expense for the current quarter.

Reclassification

In 2010, as a result of integrating certain of the Company's equipment business into the Americas and Europe segments, associated revenues, expenses, assets and liabilities have been reclassified from eliminations/Other to the Americas and Europe segments. Accordingly, prior period segment information in Note 19 has been restated for comparability and consistency.

3. Recent Accounting Pronouncements

With the exception of those discussed below, there have been no recent accounting pronouncements or changes in accounting pronouncements during the six months ended July 1, 2011, as compared to the recent accounting pronouncements described in the Company's Annual Report on Form 10-K for the year ended December 31, 2010, that are of significance, or potential significance, to the Company.

Comprehensive Income (ASC Topic 220)

In June 2011, the Financial Accounting Standards Board ("FASB") issued an Accounting Standards Update ("ASU") to allow an entity the option to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In both choices, an entity is required to present each component of net income along with total net income, each component of other comprehensive income along with a total for other comprehensive income, and a total amount for comprehensive income. This ASU eliminates the option to present the components of other comprehensive income as part of the statement of changes in stockholders' equity. It does not change the items that must be reported in other comprehensive income or when an item of other comprehensive income must be reclassified to net income. This ASU is to be applied retrospectively and is effective for interim and annual periods beginning after December 15, 2011. Early adoption is permitted. The Company is currently evaluating the effect of this ASU on its financial statements.

Fair Value Measurement (ASC Topic 820)

In May 2011, the FASB issued an ASU incorporating amendments to achieve common fair value measurement and disclosure requirements in U.S. GAAP and International Financial Reporting Standards. This ASU represents the converged guidance of the FASB and the International Accounting Standards Board on fair value measurement. The FASB does not intend for many of the amendments to result in a change in the application of ASC Topic 820.

This ASU is to be applied prospectively and is effective for interim and annual periods beginning after December 15, 2011. Early application is not permitted. The Company is currently evaluating the effect that this ASU may have on its financial statements.

Business Combinations (ASC Topic 805)

In December 2010, the FASB issued an ASU related to Disclosure of Supplementary Pro Forma Information for Business Combinations. The amendments in this ASU specify that if a public entity presents comparative financial statements, the entity should disclose revenue and earnings of the combined entity as though the business combination(s) that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period only. The amendments also expand the supplemental pro forma disclosures to include a description of the nature and amount of material, nonrecurring pro forma adjustments directly attributable to the business combination included in the reported pro forma revenue and earnings. The Company adopted this ASU effective at the beginning of fiscal year 2011, and will apply the ASU prospectively to future business combinations for which the acquisition date is after December 31, 2010, as required. This ASU did not impact the Company’s consolidated financial statements.

Intangibles — Goodwill and Other (ASC Topic 350)

In December 2010, the FASB issued an ASU describing when to Perform Step 2 of the Goodwill Impairment Test for Reporting Units with Zero or Negative Carrying Amounts. The amendments in this ASU modify Step 1 of the goodwill impairment test for reporting units with zero or negative carrying amounts. For those reporting units, an entity is required to perform Step 2 of the goodwill impairment test if it is more likely than not that a goodwill impairment exists. In determining whether it is more likely than not that goodwill impairment exists, an entity should consider whether there are any adverse qualitative factors indicating that impairment may exist. The qualitative factors are consistent with the existing guidance and examples, which require that goodwill of a reporting unit be tested for impairment between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. The Company adopted this ASU effective at the beginning of fiscal year 2011, as required. This ASU did not impact the Company’s consolidated financial statements.

4. Master Sales Agency Terminations and Umbrella Agreement

In connection with the May 2002 acquisition of the DiverseyLever business, Diversey entered into a master sales agency agreement (the “Sales Agency Agreement”) with Unilever PLC and Unilever N.V. (“Unilever”), whereby Diversey acts as an exclusive sales agent in the sale of Unilever’s consumer branded products to various institutional and industrial end-users. At acquisition, Diversey assigned an intangible value to the Prior Agency Agreement of $13,000, which was fully amortized at May 2007.

In October 2007, Diversey and Unilever entered into the Umbrella Agreement (the “Umbrella Agreement”), to replace the Prior Agency Agreement, which includes; i) a new agency agreement with terms similar to the Prior Agency Agreement, covering Ireland, the United Kingdom, Portugal and Brazil, and ii) a Master Sub-License Agreement (the "License Agreement") under which Unilever has agreed to grant 31 of Diversey's subsidiaries a license to produce and sell professional size packs of Unilever's consumer branded cleaning products. The entities covered by the License Agreement have also entered into agreements with Unilever to distribute Unilever's consumer branded products. Except for some transitional arrangements in certain countries, the Umbrella Agreement became effective January 1, 2008, and, unless otherwise terminated or extended, will expire on December 31, 2017.

An agency fee is paid by Unilever to the Company in exchange for its sales agency services. An additional fee is payable by Unilever to the Company in the event that conditions for full or partial termination of the Prior Agency Agreement are met. At various times during the life of the Prior Agency Agreement, the Company elected, and Unilever agreed, to partially terminate the Prior Agency Agreement in several territories resulting in payment by Unilever to the Company of additional fees, which are recognized in the consolidated statements of operations over the life of the Umbrella Agreement. In association with the partial terminations, the Company recognized sales agency fee income of $553 and $309 during the six months ended July 1, 2011 and July 2, 2010.

An additional fee is payable by Unilever to the Company in the event that conditions for full or partial termination of the License Agreement are met. The Company elected, and Unilever agreed, to partially terminate the License Agreement in several territories resulting in payment by Unilever to the Company of additional fees. In association with the partial terminations, the Company recognized sales income of $159 and $0 during the six months ended July 1, 2011 and July 2, 2010.

Under the License Agreement, the Company recorded net product and service sales of $65,332 and $60,878 during the six months ended July 1, 2011 and July 2, 2010, respectively.

5. Acquisitions

Strategic Alliance

The Company entered into a strategic alliance agreement with Eulen, S.A. ("Eulen"), a Spain-based corporation engaged in cleaning services, whereby the Company acquired certain assets of Eulen for a total cash consideration of $3,600, of which approximately $2,500 was paid in the three months ended July 1, 2011 and $1,100 is payable in annual installments over the next 3 years. The Company expects to finalize the purchase accounting related to this acquisition in the second half of the year.

6. Inventories

The components of inventories are summarized as follows:

	July 1, 2011	December 31, 2010
Raw materials and containers	$ 67,695	$ 56,412
Finished goods	259,792	206,835
Total inventories	$ 327,487	$ 263,247

Inventories are stated in the consolidated balance sheets net of allowance for excess and obsolete inventory of $23,098 and $21,806 on July 1, 2011 and December 31, 2010, respectively.

7. Indebtedness and Credit Arrangements

Amendment to the Diversey Senior Secured Credit Facilities Credit Agreement. The Diversey Senior Secured Credit Facilities were amended in March 2011. This amendment reduced the interest rate payable with respect to the Term Loans, thereby reducing borrowing costs over the remaining life of the credit facilities. The spread on the U.S. dollar and Canadian dollar denominated borrowings was reduced from 325 basis points to 300 basis points, and the minimum LIBOR and BA floors were reduced from 2.00% to 1.00%. The spread on the euro denominated borrowing was reduced from 400 basis points to 350 basis points and the EURIBOR floor was reduced from 2.25% to 1.50%.

In addition, the amendment changed various financial covenants and credit limits to provide greater flexibility to operate the business. These changes include the ability to issue incremental term loan facilities and the ability to issue dividends to Holdings to fund cash interest payments on the Holdings Senior Notes.

In connection with the amendment and in accordance with *ASC 470-50, Debt Modifications and Extinguishments,* the Company capitalized $443 and expensed $2,363 in transaction fees paid to third parties and wrote-off $160 in previously unamortized discounts and capitalized debt issuance costs. These amounts are included in interest expense in the consolidated statements of operations for the six months ended July 1, 2011. The effective interest rates on the Term loans were reduced from 5.70% — 6.91% to 4.19% — 5.40%.

In connection with the Company's election to pay cash interest on the Holdings Senior Notes on November 15, 2011 and its expectation that future interest payments will be made in cash, the Company accelerated the amortization of unamortized discounts and capitalized debt issuance costs and recorded additional interest expense of $4,092 during the first quarter of 2011 in the consolidated statements of operations.

The Company's existing indebtedness is intended to be paid off in connection with the Merger Agreement discussed in Note 21. At July 1, 2011, the unamortized discount and debt issuance costs relating to the Company's indebtedness were $19,432 and $57,751 respectively.

8. Restructuring Liabilities

November 2005 Restructuring Program

On November 7, 2005, the Company announced a restructuring program ("November 2005 Plan"), which included redesigning the Company's organizational structure, the closure of a number of manufacturing and other facilities, outsourcing the majority of information technology support worldwide, outsourcing certain financial services in Western Europe and a workforce reduction of approximately 15%. As of July 1, 2011, the Company has terminated 2,881 employees in the execution of this plan. Our November 2005 Plan activity is expected to continue through fiscal 2011, with the associated reserves expected to be substantially paid out through cash that has been transferred to irrevocable trusts established for the settlement of these obligations. These trusts have a balance of $12,099 as of July 1, 2011 and are classified as restricted cash in the Company's consolidated balance sheet.

The activities associated with the November 2005 Plan for the six months ended July 1, 2011 were as follows:

	Employee-Related	Other	Total
Liability balances as of December 31, 2010	$ 21,924	$1,181	$23,105
Net adjustments to restructuring liability	(224)	—	(224)
Cash paid(1)	(3,564)	34	(3,530)
Liability balances as of April 1, 2011	$ 18,136	$1,215	$19,351
Net adjustments to restructuring liability	(946)	21	(925)
Cash paid(1)	(4,159)	(18)	(4,177)
Liability balances as of July 1, 2011	$ 13,031	$1,218	$14,249

(1) Cash paid includes the effects of foreign exchange.

The Company did not incur any long-lived asset impairment charges for the six month periods ended July 1, 2011. In connection with the November 2005 Plan, the Company recorded long-lived asset impairment charges of $115 and $519 for the six months ended July 2, 2010 respectively. The impairment charges are included in selling, general and administrative costs.

Total plan-to-date expense, net, associated with the November 2005 Plan, by reporting segment, is summarized as follows:

		Six Months Ended	
	Total Plan To-Date	July 1, 2011	July 2, 2010
Europe	$147,484	$(1,550)	$(1,576)
Americas	41,512	380	(617)
Greater Asia Pacific	18,784	34	200
Other	25,460	(13)	(527)
	$233,240	$(1,149)	$(2,520)

9. Exit or Disposal Activities

In June 2010, the Company announced plans to transition certain accounting functions in its corporate center and certain Americas locations to a third party provider. The Company expects to execute the plan between July 2010 and December 2011. The Company also affirmed its decision to cease manufacturing operations at Waxdale, its primary U.S. manufacturing facility, and to move some production to other locations in North America, as well as pursue contract manufacturing for a portion of its product lines. The timeline to transition out of Waxdale is not certain, but is expected to be largely completed during the first semester of fiscal 2012. In connection with these plans, the Company reduced its original estimate of $5,972 for the involuntary termination of employees by $299 and $602 during the six months ended July 1, 2011, respectively. These costs are included in selling, general and administrative expenses in the consolidated statements of operations.

As of July 1, 2011, the Company carries a liability balance of $5,201 related to these involuntary terminations.

10. Income Taxes

For the fiscal year ending December 31, 2011, the Company is projecting an effective income tax rate on pre-tax income from continuing operations of approximately 58%. The projected effective income tax rate for the fiscal year exceeds the statutory income tax rate primarily as a result of increased valuation allowances against deferred tax assets in certain jurisdictions and increases in reserves for uncertain tax positions.

The Company reported an effective income tax rate of 60.4% on pre-tax income from continuing operations for the six month period ended July 1, 2011, which is consistent with the projected effective income tax rate for the fiscal year ending December 31, 2011.

11. Other (Income) Expense, Net

The components of other (income) expense, net in the consolidated statements of operations, include the following:

	Six Months Ended July 1, 2011	Six Months Ended July 2, 2010
Foreign currency (gain) loss	$(7,913)	$ 8,975
Forward contracts (gain) loss	8,464	(8,715)
Hyperinflationary foreign currency (gain) loss	—	3,905
Other, net	(441)	(411)
	$ 110	$ 3,754

12. Defined Benefit Plans and Other Post-Employment Benefit Plans

The components of net periodic benefit costs for the Company's defined benefit pension plans and other post-employment benefit plans for the six months ended July 1, 2011 and July 2, 2010, are as follows:

	Defined Pension Benefits Six Months Ended July 1, 2011	Defined Pension Benefits Six Months Ended July 2, 2010
Service cost	$ 4,882	$ 4,696
Interest cost	17,708	16,960
Expected return on plan assets	(21,466)	(18,544)
Amortization of net loss	2,927	3,229
Amortization of transition obligation	95	111
Amortization of prior service (credit) cost	(1,309)	(757)
Curtailments, settlements and special termination benefits	894	4,785
Net periodic pension cost	$ 3,731	$ 10,480

	Other Post-Employment Benefits Six Months Ended July 1, 2011	Other Post-Employment Benefits Six Months Ended July 2, 2010
Service cost	$ 628	$ 653
Interest cost	2,257	2,316
Amortization of net (gain) loss	(34)	(45)
Amortization of prior service credit	(103)	(102)
Net periodic benefit cost	$2,748	$2,822

The Company made contributions to its defined benefit pension plans of $16,723 and $13,443 during the six months ended July 1, 2011 and July 2, 2010, respectively.

In June 2011, the Company recognized a settlement of defined benefits to former U.S. employees resulting in a related loss of $894. The Company recorded this loss in selling, general and administrative expenses in the consolidated statement of operations.

In June 2010, the Company recognized a settlement of defined benefits to former U.S. employees resulting in a related loss of $3,974. The Company recorded $1,996 of this loss as a component of discontinued operations, and $1,978 in selling, general and administrative expenses in the consolidated statement of operations.

In June 2010, the Company recognized a curtailment and settlement of defined benefits to former Japan employees, resulting in a related loss of $571. The Company recorded this loss in selling, general and administrative expenses in the consolidated statement of operations.

In June 2010, the Company recognized a curtailment of defined benefits to former Ireland employees resulting in a related loss of $241. The Company recorded this loss in selling, general and administrative expenses in the consolidated statement of operations.

13. Financial Instruments

The Company sells its products in more than 175 countries and approximately 85% of the Company's revenues are generated outside the United States. The Company's activities expose it to a variety of market risks, including the effects of changes in foreign currency exchange rates and interest rates. These financial risks are monitored and managed by the Company as an integral part of its overall risk management program.

The Company maintains a foreign currency risk management strategy that uses derivative instruments (foreign currency forward contracts) to protect its interests from fluctuations in earnings and cash flows caused by the volatility in currency exchange rates. Movements in foreign currency exchange rates pose a risk to the Company's operations and competitive position, since exchange rate changes may affect the profitability and cash flow of the Company, and business and/or pricing strategies of competitors.

Certain of the Company's foreign business unit sales and purchases are denominated in the customers' or vendors' local currency. The Company purchases foreign currency forward contracts as hedges of foreign currency denominated receivables and payables and as hedges of forecasted foreign currency denominated sales and purchases. These contracts are entered into to protect against the risk that the future dollar-net-cash inflows and outflows resulting from such sales, purchases, firm commitments or settlements will be adversely affected by changes in exchange rates.

At July 1, 2011 and December 31, 2010, the Company held 33 and 23 foreign currency forward contracts, respectively, as hedges of foreign currency denominated receivables and payables with an aggregate notional amount of $164,612 and $163,092, respectively. Because the terms of such contracts are primarily less than three months, the Company did not elect hedge accounting treatment for these contracts. The Company records the changes in the fair value of these contracts within other (income) expense, net, in the consolidated statements of operations. Total net realized and unrealized (gains) losses recognized were $3,037 and $8,464 during the six months ended July 1, 2011, respectively compared with such (gains) losses of $(5,440) and $(8,715), respectively for the six months ended July 2, 2010.

As of July 1, 2011 and December 31, 2010, the Company held 141 and 194 foreign currency forward contracts, respectively, as hedges of forecasted foreign currency denominated sales and purchases with an aggregate notional amount of $44,798 and $62,983, respectively. The maximum length of time over which the Company typically hedges cash flow exposures is twelve months. To the extent that these contracts are designated and qualify as cash flow hedging instruments, the effective portion of the gain or loss on the derivative instrument is recorded in other comprehensive income and reclassified as a component to net income (loss) in the same period or periods during which the hedged transaction affects earnings. Net unrealized (gain) loss on cash flow hedging instruments of $(157) and $409 were included in accumulated other comprehensive income, net of tax, at July 1, 2011 and December 31, 2010, respectively. There was no ineffectiveness related to cash flow hedging instruments during the six months ended July 1, 2011 and July 2, 2010, respectively. Unrealized gains and losses existing at July 1, 2011, which are expected to be reclassified into the consolidated statements of operations from other comprehensive income during the next year, are not expected to be significant.

At July 1, 2011 and December 31, 2010, the location and fair value amounts of derivative instruments were as follows:

	Asset Derivatives July 1, 2011		Liability Derivatives July 1, 2011	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives designated as hedging instruments				
Foreign currency forward contracts	Other current assets	$ 1,070	Accrued expenses	$ 841
Derivatives not designated as hedging instruments				
Foreign currency forward contracts	Other current assets	48	Accrued expenses	1,928
Total Derivatives		$ 1,118		$ 2,769

	Asset Derivatives December 31, 2010		Liability Derivatives December 31, 2010	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives designated as hedging instruments				
Foreign currency forward contracts	Other current assets	$ 724	Accrued expenses	$ 1,316
Derivatives not designated as hedging instruments				
Foreign currency forward contracts	Other current assets	1,293	Accrued expenses	669
Total Derivatives		$ 2,017		$ 1,985

The effect of derivative instruments on the Consolidated Financial Statements for the six months ended July 1, 2011 and July 2, 2010, was as follows:

Derivatives with cash flow hedging relationships	Amount of (Gain) Loss Recognized in OCI on Derivatives (Effective Portion) Six Months Ended July 1, 2011	Location of (Gain) Loss Reclassified from Accumulated OCI into Income	Amount of (Gain) Loss Reclassified from Accumulated OCI into Income (Effective Portion) Six Months Ended July 1, 2011
Foreign currency forward contracts	$ (229)	Other (income) expense, net	$ (633)

Derivatives with Cash Flow Hedging Relationships	Amount of (Gain) Loss Recognized in OCI on Derivatives (Effective Portion) Six Months Ended July 2, 2010	Location of (Gain) Loss Reclassified from Accumulated OCI into Income	Amount of (Gain) Loss Reclassified from Accumulated OCI into Income (Effective Portion) Six Months Ended July 2, 2010
Foreign currency forward contracts	$ 406	Other (income) expense, net	$ 365

14. Fair Value Measurements of Financial Instruments

Financial instruments measured at fair value on a recurring basis as of July 1, 2011 and December 31, 2010 were as follows:

	Balance at July 1, 2011	Level 1	Level 2	Level 3
Assets:				
Foreign currency forward contracts	$ 1,118	$ —	$ 1,118	$ —
Liabilities:				
Foreign currency forward contracts	$ 2,769	$ —	$ 2,769	$ —

	Balance at December 31, 2010	Level 1	Level 2	Level 3
Assets:				
Foreign currency forward contracts	$ 2,017	$ —	$ 2,017	$ —
Liabilities:				
Foreign currency forward contracts	$ 1,985	$ —	$ 1,985	$ —

The Company primarily uses readily observable market data in conjunction with globally accepted valuation model software when valuing its financial instruments portfolio and, consequently, the Company designates all financial instruments as Level 2. Under ASC Topic 820, *Fair Value Measurements and Disclosures*, there are three levels of inputs that may be used to measure fair value. Level 2 is defined as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.

15. Comprehensive Income (Loss)

Comprehensive income (loss) for the six months ended July 1, 2011 and July 2, 2010 are as follows:

	Six Months Ended	
	July 1, 2011	July 2, 2010
Net income	$ 25,897	$ 5,562
Foreign currency translation adjustments	68,310	(76,218)
Adjustments to pension and post-retirement liabilities, net of tax	(2,581)	(2,929)
Unrealized gains on derivatives, net of tax	566	(44)
Total comprehensive income (loss)	$ 92,192	$ (73,629)

16. Stock-Based Compensation

Stock Incentive Plan

The Company maintains a Stock Incentive Plan ("SIP") for the officers and most senior managers of the Company. The SIP provides for the purchase or award of new class B common stock of Holdings ("Shares") and options to purchase new Shares representing in the aggregate up to 12% of the outstanding common stock of Holdings.

During the six months ended July 1, 2011, pursuant to the SIP, participants purchased 4,410 Shares in Holdings at $13.60 per share, and were awarded 11,759 matching options to purchase Shares pursuant to a matching formula, at an exercise price of $13.60 per share, with a contractual term of ten years. The matching options are subject to a vesting period of four years. In addition, the Company repurchased 27,500 Shares at $13.60 per share, relating to separated employees. In conjunction with these departures, 153,000 matching options were forfeited.

During the six months ended July 1, 2011, pursuant to the SIP, 1,251,478 Deferred Share Units ("DSUs" as defined in the SIP) granted in 2010 vested. 186,823 of these vested DSUs were redeemed for cash by the participants to pay all or a portion of their required withholding tax liability, and therefore were not converted into Shares. As a result of this redemption for cash, 627,099 matching options were forfeited. In addition, as a result of the departure of certain employees, 51,374 DSUs and 646,652 matching options were forfeited. Upon the closing of the Merger as discussed in Note 21, 548,473 of these options will be reinstated and accelerated pursuant to the terms of the Merger Agreement. As this event is solely contingent on the Merger closing, no compensation expense has been recognized for these options. For purposes of retention, 22,059 additional DSUs were granted to two participants, with no matching options. These DSUs have a weighted average grant-date fair value of $13.83, and are subject to vesting periods of two to three years.

The following table summarizes the stock option activity during the six months ended July 1, 2011:

	Number of Options	Exercise Price per Option(1)	Remaining Contractual Term(1) (in years)	Aggregate Intrinsic Value
Outstanding at January 1, 2011	9,728,836	$ 10.02		
Granted	11,759	13.60		
Forfeited	(1,273,751)	10.00		
Outstanding at July 1, 2011	8,466,844	$ 10.03	8.5	$138,389
Exercisable at July 1, 2011	646,950	$ 10.00	8.5	$ 10,591

(1) Weighted-average

The weighted-average grant-date fair value of all outstanding options at July 1, 2011 is $3.43.

The following table summarizes DSU activity during the six months ended July 1, 2011:

	Number of DSUs	Weighted-Average Grant-Date Fair Value
Nonvested DSUs at January 1, 2011	2,698,107	$ 10.00
Granted	22,059	13.83
Vested	(1,251,478)	10.00
Forfeited	(51,374)	10.00
Nonvested DSUs at July 1, 2011	1,417,314	$ 10.06

At July 1, 2011, there was $15,267 of unrecognized compensation cost related to DSUs and non-vested option compensation arrangements that is expected to be recognized as a charge to earnings over a weighted-average period of five years.

Director Stock Incentive Plan

The Company maintains a Director Stock Incentive Plan ("DIP"), which provides for the sale of Shares to certain non-employee directors of the Company, as well as the grant to these individuals of DSUs in lieu of receiving cash compensation for their services as a member of the Company's Board of Directors.

The following table summarizes the Director DSU activity during the six months ended July 1, 2011:

	Number of DSUs	Weighted-Average Grant-Date Fair Value
Nonvested Director DSUs at January 1, 2011	45,729	$ 10.36
Granted	51,291	13.60
Vested	(45,729)	10.36
Nonvested Director DSUs at July 1, 2011	51,291	$ 13.60

Compensation expenses related to the SIP and DIP were $6,173 and $7,284 for the six months ended July 1, 2011 and July 2, 2010, respectively. These expenses are recorded as part of selling, general and administrative expenses in the consolidated statements of operations.

Stock Appreciation Rights Plan

The Company also maintains an incentive program for certain managers of the Company who are not in the SIP, which provides for cash awards based on stock appreciation rights (“SARs”). SARs have no effect on shares outstanding as appreciation awards are paid in cash and not in common stock. The Company accounts for SARs as liability awards in which the pro-rata portion of the awards’ fair value is recognized as expense over the vesting period, which approximates three years. The fair value of these awards in the current fiscal quarter was significantly affected by the merger price consideration described in Note 22.

Compensation expenses related to the SARs plan were $4,164 and $404 for the six months ended July 1, 2011 and July 2, 2010, respectively. These expenses are recorded as part of selling, general and administrative expenses in the consolidated statements of operations.

Class B shares and equity awards subject to contingent redemption

The Company’s SIP and DIP programs are subject to a contingent redemption feature relating to any potential future change in control of the Company. Among other provisions, this feature provides for the cash settlement of Shares and DSUs at fair value as of the date of the change in control. Until the change in control occurs (see Note 22), applicable accounting guidance requires recognition of Shares and earned DSUs as mezzanine equity, which the Company has presented as Class B shares and equity awards subject to contingent redemption on its consolidated balance sheets.

At July 1, 2011, the Company’s mezzanine equity consisted of $21,926 related to DSUs, $13,660 related to the SIP equity offering and $1,100 related to the DIP equity offering.

17. Commitments and Contingencies

The Company is subject to various legal actions and proceedings in the normal course of business. Although litigation is subject to many uncertainties and the ultimate exposure with respect to these matters cannot be ascertained, the Company does not believe the final outcome of any current litigation will have a material effect on the Company’s financial position, results of operations or cash flows.

The Company has purchase commitments for materials, supplies, and property, plant and equipment incidental to the ordinary conduct of business. In the aggregate, such commitments are not in excess of current market prices. Additionally, the Company normally commits to some level of marketing related expenditures that extend beyond the fiscal year. These marketing expenses are necessary in order to maintain a normal course of business and the risk associated with them is limited. It is not expected that these commitments will have a material effect on the Company’s consolidated financial position, results of operations or cash flows.

In the fourth quarter of 2010, the Company concluded that it unconditionally pledged $6,000 to a charitable organization near its Sturtevant, Wisconsin headquarters, which it recognized as selling, general and administrative expense. The Company made its first of several installment payments in April 2011, and expects to make the final installment in 2012.

In the second quarter of 2011, a subsidiary of the company within the Americas segment was notified of a ruling by an administrative council regarding employment tax matters covering the years 2002 through 2006. While the Company believes it has defenses against these claims and other employment tax claims for the same period, and has not accrued for these contingencies because it does not believe that a loss is probable, the ultimate resolution of these matters could result in a loss of up to approximately $6,500.

The Company maintains environmental reserves for remediation, monitoring, assessment and other expenses at one of its domestic facilities. While the ultimate exposure at this site continues to be evaluated, the Company does not anticipate a material effect on its consolidated financial position, results of operations or cash flows.

In connection with the acquisition of the DiverseyLever business, the Company conducted environmental assessments and investigations at DiverseyLever facilities in various countries. These investigations disclosed the likelihood of soil and/or groundwater contamination, or potential environmental regulatory matters. The Company continues to evaluate the nature and extent of the identified contamination and is preparing and executing plans to address the contamination, including the potential to recover some of these costs from Unilever under the terms of the DiverseyLever purchase agreement. As of July 1, 2011, the Company maintained related reserves of $10,593 on a discounted basis (using country specific rates ranging from 7.6% to 21.7%) and $13,576 on an undiscounted basis. The Company intends to seek recovery from Unilever under indemnification clauses contained in the purchase agreement.

18. Japan Operations

Immediate impact of the disaster

On March 11, 2011, Japan suffered a significant natural disaster. The Company's Japan subsidiary sustained damage to inventories at one of its leased facilities and recorded estimated losses and other charges totaling $1,300 in the first quarter, of which $461 was reversed in the second quarter, as actual losses were ascertained to be less than the estimated amounts. Most of the loss was recorded in cost of sales in the consolidated statements of operations. The Company expects that as a result of the nuclear crisis and the uncertain effects of the disaster on the Japanese economy, it may sustain further losses which are not yet currently estimable but are not expected to be material to the Company's consolidated results. The Company's Japan operations are based in Yokohama, which is approximately 150 miles from the damaged nuclear plant. The Company anticipates that certain losses, if sustained, will be covered by its insurance policies. The Company carries comprehensive property damage and business interruption policies that cover a maximum loss limit of $25,000, and subject to a minimum deductible of $1,000; inventory losses are subject to a $50 deductible.

For the six months ended July 1, 2011, the Company's Japan business had net sales of $153,446, and operating profit of $8,963.

Longer term potential business disruption impact

The Company believes that the disaster may have an adverse effect on its sales and operating profits in Japan for the current fiscal year. It currently is not able to provide a reliable estimate of the potential loss this year or in future years and whether these losses will be offset by business interruption insurance policies carried by the Company.

Goodwill impairment assessment

During the Company's 2010 impairment review, performed as of October 1, 2010, the Japan reporting unit had a fair value that exceeded its carrying value by 20%. The assumptions and estimates underlying fair value were determined with the assistance of a third party valuation firm and are subject to uncertainty. Failure of the Japanese business to realize financial forecasts or further weakening of the Japanese business environment, as a result of the disaster or other factors, could potentially impact the future recoverability of the $145,280 of goodwill held in our Japan reporting unit at July 1, 2011. The Company reviewed the events in Japan and based on qualitative and quantitative analyses performed as of July 1, 2011, including consideration of the Company's implied valuation under the terms of the Merger Agreement (Note 21), concluded that there was no indicator of impairment that would require a Step 1 test under *ASC 350, Intangibles — Goodwill and Other* to be performed. The Company believes that the disaster may have an adverse effect on its sales and operating profits in Japan for the current year. However, future effects are still not determinable, and it currently believes that the long term assumptions remain appropriate.

19. Segment Information

Business segment information is summarized as follows:

	Six Months Ended July 1, 2011				
	Europe	Americas	Greater Asia Pacific	Eliminations/ Other(1)	Total Company
Net sales	$ 869,094	$481,039	$ 311,748	$ (22,121)	$1,639,760
Operating profit	66,705	50,191	21,594	(6,942)	131,548
Depreciation and amortization	22,382	11,847	8,231	15,782	58,242
Interest expense	17,698	8,082	625	40,879	67,284
Interest income	535	1,218	400	(944)	1,209
Total assets	2,015,861	723,411	577,524	106,514	3,423,310
Goodwill	832,975	215,488	215,901	66,907	1,331,271
Capital expenditures, including capitalized computer software	29,317	11,385	6,542	2,346	49,590
Long-lived assets(2)	1,100,811	316,460	303,048	297,821	2,018,140

	Six Months Ended July 2, 2010				
	Europe	Americas	Greater Asia Pacific	Eliminations/ Other(1)	Total Company
Net sales	$ 818,270	$459,228	$ 280,314	$ (15,835)	$1,541,977
Operating profit	85,740	44,648	16,673	(19,749)	127,312
Depreciation and amortization	22,304	11,726	7,428	12,732	54,190
Interest expense	21,303	8,890	1,121	38,594	69,908
Interest income	718	961	282	(1,080)	881
Total assets	1,778,748	592,391	511,189	320,798	3,203,126
Goodwill	716,936	205,884	196,512	64,899	1,184,231
Capital expenditures, including capitalized computer software	11,972	9,761	6,110	8,371	36,214
Long-lived assets(2)	955,443	299,448	273,027	296,146	1,824,064

(1) Eliminations/Other includes the Company's corporate operating and holding entities, discontinued operations and corporate level eliminations and consolidating entries.

(2) Long-lived assets includes property, plant and equipment, capital software, intangible items and investments in affiliates.

20. European Principal Company

In May 2011, the Company approved, subject to successful works council consultations, plans to reorganize its European operations to function under a centralized management and value chain model. After completing the reorganization in 2012, the European Principal Company ("EPC") will manage the European segment centrally. The European subsidiaries will execute sales and distribution locally, and local production companies will act as toll manufacturers on behalf of the EPC. The Company expects to incorporate the EPC in The Netherlands.

As a result of this approval, the Company recorded restructuring and implementation liabilities of $2,608 during the current fiscal quarter.

21. Agreement and Plan of Merger

On May 31, 2011, the Company, Sealed Air Corporation ("Sealed Air") and Solution Acquisition Corp. ("Merger Sub"), a wholly-owned subsidiary of Sealed Air, entered into an Agreement and Plan of Merger (the "Merger Agreement") under which Sealed Air will acquire 100% of the common stock of the Company. Pursuant to the Merger Agreement, and subject to the terms and conditions set forth therein, Merger Sub will be merged with and into the Company (the "Merger"), with the Company continuing as the surviving corporation in the Merger and a wholly-owned subsidiary of Sealed Air.

Pursuant to the terms of the Merger Agreement, the Company's stockholders and equity interest holders will receive an aggregate of approximately $2.1 billion in cash (subject to certain adjustments) and 31.7 million shares of Sealed Air common stock. The final merger price consideration will depend upon the closing price of Sealed Air common stock at the time of closing. Upon closing of the transaction, the Company's stockholders are expected to own approximately 15% of Sealed Air's common stock. Also pursuant to the Merger Agreement, $1.5 billion of existing indebtedness of the Company will be extinguished through payment by Sealed Air.

The completion of the Merger is subject to certain conditions, including, among others, (i) the absence of any law or order prohibiting the closing and (ii) the expiration or termination of the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, the Council Regulation (EC) No 139/2004 of 20 January 2004 on the control of concentrations between undertakings, as amended, and the implementing regulation promulgated pursuant thereto and the laws or regulations of certain other foreign jurisdictions. Each of Sealed Air and the Company has made customary representations and warranties in the Merger Agreement. The Company has agreed to various covenants and agreements, including, among others things, (i) not to solicit alternate transactions and (ii) to conduct its business in the ordinary course during the period between the date of the Merger Agreement and the effectiveness of the Merger and refrain from taking various non-ordinary course actions during that period, and Sealed Air has also agreed to various covenants and agreements, including, among others things, to conduct its business in the ordinary course during the period between the date of the Merger Agreement and the effectiveness of the Merger and refrain from taking various non-ordinary course actions during that period.

The Merger Agreement may be terminated by each of Sealed Air and the Company under specified circumstances, including if the Merger is not consummated by December 31, 2011 (which date can be extended to March 31, 2012 in specified circumstances, including if regulatory approval has not been obtained). The Merger Agreement contains certain termination rights for both Sealed Air and the Company, and further provides that, upon the termination of the Merger Agreement in the event that the financing for the transaction is not obtained, Sealed Air will be required to pay to the Company a cash termination fee of $160 million.

Further details to the Merger Agreement can be found in the Company's Form 8-K filed with the SEC on June 3, 2011.

Also on May 31, 2011, the Company' stockholders representing 100% of its voting common stock executed a written consent adopting and approving the Merger Agreement. No further approval by the stockholders is necessary to approve the Merger Agreement and to consummate the Merger.

As of July 1, 2011, the estimated merger price consideration is approximately $2.9 billion, net of certain adjustments pursuant to the Merger Agreement, or about $26.37 per share of the Company's common stock and common stock equivalents. The accompanying financial statements do not include any adjustments that may be necessary under purchase accounting, upon the consummation of the Merger, to reflect the impact of the transaction on the Company's financial position, liquidity or financial commitments.

In connection with the Merger Agreement, the Company recorded certain transaction costs of approximately $3,941, mostly relating to legal fees, and is included in selling, general and administrative expenses in the current fiscal quarter. Upon the closing of the Merger and the occurrence of a change of control of the Company, the reinstatement and/or acceleration of certain vesting benefits in the Company's stock-based compensation plans (Note 16) will result in the recognition of additional compensation expense, and the extinguishment of the Company's indebtedness will result in a write-off of currently unamortized discounts and capitalized debt issuance costs (Note 7). The Company also expects to incur advisory fees of approximately $25,000 that are contingent on the Merger closing and hence have not been recorded at July 1, 2011.