TUPPERWARE BRANDS CORP
Form 10-Q
November 03, 2015
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

x Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the 13 weeks ended September 26, 2015
OR
o Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the Transition period from to
Commission file number 1-11657

TUPPERWARE BRANDS CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	36-4062333
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
14901 South Orange Blossom Trail, Orlando, Florida	32837
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (407) 826-5050

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

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

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer x	Accelerated filer o
Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

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

As of October 29, 2015, 50,356,769 shares of the common stock, $0.01 par value, of the registrant were outstanding.

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Item 1. Financial Statements (Unaudited)
TUPPERWARE BRANDS CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

(In millions, except per share amounts)	13 weeks ended		39 weeks ended	
	September 26, 2015	September 27, 2014	September 26, 2015	September 27, 2014
Net sales	$521.0	$ 588.7	$1,691.7	$ 1,926.2
Cost of products sold	172.5	209.2	553.2	656.5
Gross margin	348.5	379.5	1,138.5	1,269.7
Delivery, sales and administrative expense	288.5	321.7	912.0	1,014.8
Re-engineering and impairment charges	0.3	2.6	18.0	8.3
Gains on disposal of assets	2.0	—	13.4	2.3
Operating income	61.7	55.2	221.9	248.9
Interest income	0.5	0.8	1.5	2.0
Interest expense	11.3	11.9	36.6	35.9
Other expense (income)	0.3	(3.8)	8.6	26.3
Income before income taxes	50.6	47.9	178.2	188.7
Provision for income taxes	14.4	15.6	50.5	56.6
Net income	$36.2	$ 32.3	$127.7	$ 132.1
Earnings per share:				
Basic	$0.72	$ 0.64	$2.56	$ 2.63
Diluted	0.72	0.63	2.54	2.59
Weighted-average shares outstanding:				
Basic	49.9	50.2	49.8	50.2
Diluted	50.3	51.0	50.3	51.1
Dividends declared per common share	$0.68	$ 0.68	$2.04	$ 2.04

See accompanying Notes to Consolidated Financial Statements (Unaudited).

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TUPPERWARE BRANDS CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

(In millions)	13 weeks ended		39 weeks ended	
	September 26, 2015	September 27, 2014	September 26, 2015	September 27, 2014
Net income	$36.2	$32.3	$127.7	$132.1
Other comprehensive income (loss):				
Foreign currency translation adjustments	(65.5)	(26.7)	(110.1)	(20.3)
Deferred gain (loss) on cash flow hedges, net of tax provision of $0.8, $0.3, $0.2 and $0.0, respectively	1.7	1.0	(0.5)	1.1
Pension and other post-retirement income, net of tax provision of $0.3, $0.4, $1.4 and $0.8, respectively	1.2	0.8	4.2	1.6
Other comprehensive income (loss)	(62.6)	(24.9)	(106.4)	(17.6)
Total comprehensive income (loss)	$(26.4)	$7.4	$21.3	$114.5

See accompanying Notes to Consolidated Financial Statements (Unaudited).

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TUPPERWARE BRANDS CORPORATION
CONSOLIDATED BALANCE SHEETS
(Unaudited)

(In millions, except share amounts)	September 26, 2015	December 27, 2014
ASSETS		
Cash and cash equivalents	$93.1	$77.0
Accounts receivable, less allowances of $31.8 and $34.5, respectively	158.6	168.1
Inventories	285.7	306.0
Deferred income tax benefits, net	105.5	118.8
Non-trade amounts receivable, net	59.2	61.8
Prepaid expenses and other current assets	26.2	21.6
Total current assets	728.3	753.3
Deferred income tax benefits, net	402.8	416.7
Property, plant and equipment, net	254.7	290.3
Long-term receivables, less allowances of $11.9 and $13.1, respectively	14.0	17.3
Trademarks and tradenames, net	86.8	104.2
Other intangible assets, net	0.3	1.5
Goodwill	148.7	164.7
Other assets, net	27.7	32.0
Total assets	$1,663.3	$1,780.0
LIABILITIES AND SHAREHOLDERS' EQUITY		
Accounts payable	$94.7	$142.8
Short-term borrowings and current portion of long-term debt and capital lease obligations	286.2	221.4
Accrued liabilities	327.8	383.2
Total current liabilities	708.7	747.4
Long-term debt and capital lease obligations	608.9	612.1
Other liabilities	221.0	234.7
Shareholders' equity:		
Preferred stock, $0.01 par value, 200,000,000 shares authorized; none issued	—	—
Common stock, $0.01 par value, 600,000,000 shares authorized; 63,607,090 shares issued	0.6	0.6
Paid-in capital	198.0	190.7
Retained earnings	1,364.1	1,348.2
Treasury stock, 13,590,146 and 13,924,568 shares, respectively, at cost	(922.9)	(945.0)
Accumulated other comprehensive loss	(515.1)	(408.7)
Total shareholders' equity	124.7	185.8
Total liabilities and shareholders' equity	$1,663.3	$1,780.0

See accompanying Notes to Consolidated Financial Statements (Unaudited).

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TUPPERWARE BRANDS CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

(In millions)	39 weeks ended September 26, 2015	September 27, 2014
Operating Activities:		
Net income	$127.7	$132.1
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	46.6	47.7
Unrealized foreign exchange loss	7.2	29.2
Equity compensation	11.8	11.5
Amortization of deferred debt costs	0.7	0.5
Net gains on disposal of assets	(13.1)	(2.2)
Provision for bad debts	9.8	10.3
Write-down of inventories	12.9	14.5
Non-cash impact of re-engineering and impairment costs	13.5	1.5
Net change in deferred income taxes	(25.1)	(31.3)
Excess tax benefits from share-based payment arrangements	(2.5)	(8.8)
Changes in assets and liabilities:		
Accounts and notes receivable	(20.8)	(26.2)
Inventories	(34.5)	(59.3)
Non-trade amounts receivable	(0.7)	(6.5)
Prepaid expenses	(6.8)	(9.9)
Other assets	(1.4)	(2.0)
Accounts payable and accrued liabilities	(14.1)	(5.3)
Income taxes payable	(19.7)	(7.9)
Other liabilities	1.8	1.1
Net cash impact from hedging activity	(21.1)	0.1
Net cash provided by operating activities	72.2	89.1
Investing Activities:		
Capital expenditures	(42.4)	(46.0)
Proceeds from disposal of property, plant and equipment	17.5	6.1
Net cash used in investing activities	(24.9)	(39.9)
Financing Activities:		
Dividend payments to shareholders	(103.6)	(101.0)
Proceeds from exercise of stock options	7.6	14.0
Repurchase of common stock	(0.9)	(41.7)
Repayment of capital lease obligations	(2.1)	(2.5)
Net change in short-term debt	82.0	84.9
Debt issuance costs	(0.7)	—
Excess tax benefits from share-based payment arrangements	2.5	8.8
Net cash used in financing activities	(15.2)	(37.5)
Effect of exchange rate changes on cash and cash equivalents	(16.0)	(49.6)
Net change in cash and cash equivalents	16.1	(37.9)
Cash and cash equivalents at beginning of year	77.0	127.3
Cash and cash equivalents at end of period	$93.1	$89.4

See accompanying Notes to Consolidated Financial Statements (Unaudited).

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TUPPERWARE BRANDS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1: Summary of Significant Accounting Policies

Basis of Presentation: The condensed consolidated financial statements include the accounts of Tupperware Brands Corporation and its subsidiaries, collectively “Tupperware” or the “Company”, with all intercompany transactions and balances having been eliminated. These condensed consolidated financial statements and related notes should be read in conjunction with the audited 2014 financial statements included in the Company's Annual Report on Form 10-K for the year ended December 27, 2014.

Certain prior year amounts have been reclassified to conform with current year presentation.

These condensed consolidated financial statements are unaudited and have been prepared following the rules and regulations of the United States Securities and Exchange Commission and, in the Company's opinion, reflect all adjustments, including normal recurring items that are necessary for a fair presentation of the results for the interim periods. Certain information and note disclosures normally included in the balance sheet, statements of income, comprehensive income and cash flows prepared in conformity with accounting principles generally accepted in the United States of America have been condensed or omitted as permitted by such rules and regulations. Operating results of any interim period presented herein are not necessarily indicative of the results that may be expected for a full fiscal year.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ materially from these estimates.

Venezuela Foreign Currency Translation: The bolivar to U.S. dollar exchange rates used in translating the Company’s operating activity were 6.3 in the first quarter of 2014, 10.8 in the second quarter and 50.0 in the second half of 2014 and in January 2015. In February 2015, the Venezuelan government launched an overhaul of its foreign currency exchange structure for obtaining U.S. dollars, introducing the Simadi mechanism. The Company used rates determined under this mechanism of 172.0 bolivars to the U.S. dollar to translate its February 2015 operating activity and 190.0 to translate March 2015 operating activity and the end of March balance sheet of Venezuela. The Company used a rate of 199.0 as of the end of the third quarter of 2015. The Company expects to continue to use the Simadi rate to translate future operating activity. The net expense in connection with re-measuring net monetary assets and recording in cost of sales inventory at the exchange rate when it was purchased or manufactured compared to when it was sold was $2.0 million and $6.5 million for the third quarters of 2015 and 2014, respectively, and $13.1 million and $42.2 million for the year-to-date periods ended September 26, 2015 and September 27, 2014, respectively. The amounts related to remeasurement are included in other expense.

As of September 26, 2015, the Company had approximately $2 million of net monetary assets in Venezuela, which were of a nature that would generate income or expense associated with future exchange rate fluctuations versus the U.S. dollar. In addition, there were $25.5 million in cumulative foreign currency translation losses related to Venezuela included in equity within the consolidated balance sheets.

Note 2: Shipping and Handling Costs

The cost of products sold line item includes costs related to the purchase and manufacture of goods sold by the Company. Among these costs are inbound freight charges, purchasing and receiving costs, inspection costs, depreciation expense, internal transfer costs and warehousing costs of raw material, work in process and packing materials. The warehousing and distribution costs of finished goods are included in delivery, sales and administrative expense (“DS&A”). Distribution costs are comprised of outbound freight and associated labor costs. Fees billed to customers associated with the distribution of products are classified as revenue. The distribution costs included in DS&A expense for the third quarters of 2015 and 2014 were $32.7 million and $36.8 million, respectively, and $103.2 million and $116.8 million for the year-to-date periods ended September 26, 2015 and September 27, 2014,

respectively.

TUPPERWARE BRANDS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Unaudited)

Note 3: Promotional Costs

The Company frequently makes promotional offers to members of its independent sales force to encourage them to fulfill specific goals or targets for sales levels, party attendance, addition of new sales force members or other business-critical functions. The awards offered are in the form of product awards, special prizes or trips.

The Company accrues for the costs of these awards during the period over which the sales force qualifies for the award and reports these costs primarily as a component of DS&A expense. These accruals require estimates as to the cost of the awards, based upon estimates of achievement and actual cost to be incurred. During the qualification period, actual results are monitored, and changes to the original estimates are made when known. Promotional and other sales force compensation expenses included in DS&A expense totaled $88.2 million and $100.0 million for the third quarters of 2015 and 2014, respectively, and $288.0 million and $325.2 million for the year-to-date periods ended September 26, 2015 and September 27, 2014, respectively.

Note 4: Inventories

(In millions)	September 26, 2015	December 27, 2014
Finished goods	$227.5	$242.5
Work in process	24.6	26.8
Raw materials and supplies	33.6	36.7
Total inventories	$285.7	$306.0

Note 5: Net Income Per Common Share

Basic per share information is calculated by dividing net income by the weighted average number of shares outstanding. Diluted per share information is calculated by also considering the impact of potential common stock on both net income and the weighted average number of shares outstanding.

The elements of the earnings per share computations were as follows:

	13 weeks ended		39 weeks ended	
(In millions, except per share amounts)	September 26, 2015	September 27, 2014	September 26, 2015	September 27, 2014
Net income	$36.2	$32.3	$127.7	$132.1
Weighted-average shares of common stock outstanding	49.9	50.2	49.8	50.2
Common equivalent shares:				
Assumed exercise of dilutive options, restricted shares, restricted stock units and performance share units	0.4	0.8	0.5	0.9
Weighted-average common and common equivalent shares outstanding	50.3	51.0	50.3	51.1
Basic earnings per share	$0.72	$0.64	$2.56	$2.63
Diluted earnings per share	$0.72	$0.63	$2.54	$2.59
Shares excluded from the determination of potential common stock because inclusion would have been anti-dilutive	1.1	0.4	0.8	0.4

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TUPPERWARE BRANDS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Unaudited)

Note 6: Accumulated Other Comprehensive Loss

(In millions, net of tax)	Foreign Currency Items	Cash Flow Hedges	Pension and Other Post-retirement Items	Total
Balance at December 27, 2014	$(368.3)	$7.8	$ (48.2)	$(408.7)
Other comprehensive income (loss) before reclassifications	(110.1)	10.3	2.2	(97.6)
Amounts reclassified from accumulated other comprehensive loss	—	(10.8)	2.0	(8.8)
Net current-period other comprehensive income (loss)	(110.1)	(0.5)	4.2	(106.4)
Balance at September 26, 2015	$(478.4)	$7.3	$ (44.0)	$(515.1)

(In millions, net of tax)	Foreign Currency Items	Cash Flow Hedges	Pension and Other Post-retirement Items	Total
Balance at December 28, 2013	$(283.1)	$2.2	$ (35.9)	$(316.8)
Other comprehensive income (loss) before reclassifications	(20.3)	5.0	0.3	(15.0)
Amounts reclassified from accumulated other comprehensive loss	—	(3.9)	1.3	(2.6)
Net current-period other comprehensive income (loss)	(20.3)	1.1	1.6	(17.6)
Balance at September 27, 2014	$(303.4)	$3.3	$ (34.3)	$(334.4)

Pretax amounts reclassified from accumulated other comprehensive loss that related to cash flow hedges consisted of net gains of $14.1 million and $5.0 million for the year-to-date periods ended September 26, 2015 and September 27, 2014, respectively. Associated with these items were tax provisions of $3.3 million and $1.1 million, respectively. See Note 11 for further discussion of derivatives.

For the year-to-date periods ended September 26, 2015 and September 27, 2014, pretax amounts reclassified from accumulated other comprehensive loss related to pension and other post-retirement items consisted of prior service benefits of $1.0 million and $0.5 million, respectively, actuarial losses of $3.2 million and $1.8 million, respectively, and pension settlement costs of $0.5 million and $0.4 million, respectively. The tax benefit associated with these items was $0.7 million and $0.4 million, respectively. See Note 13 for further discussion of pension and other post-retirement benefit costs.

Note 7: Re-engineering and Impairment Costs

The Company recorded $0.3 million and $2.6 million in re-engineering charges during the third quarters of 2015 and 2014, respectively, and $4.5 million and $8.3 million for the respective year-to-date periods. In both years, these charges were primarily related to severance costs incurred for headcount reductions in several of the Company’s operations in connection with changes in its management and organizational structures, and in 2014, the decision to cease operating the Armand Dupree business in the United States, the Nutrimetics business in Thailand and a manufacturing plant in India.

The balances included in accrued liabilities related to re-engineering and impairment charges as of September 26, 2015 and December 27, 2014 were as follows:

(In millions)	September 26, 2015	December 27, 2014
Beginning of the year balance	$2.4	$2.6
Provision	4.5	11.0
Non-cash charges	(0.2)	(1.8)
Cash expenditures:		
Severance	(4.7)	(7.1)
Other	(1.2)	(2.3)
End of period balance	$0.8	$2.4

The accrual balance as of September 26, 2015, related primarily to severance payments to be made by the end of the fourth quarter of 2015. In connection with the decisions to cease operating the Armand Dupree business in the United States and the Nutrimetics business in Thailand, the Company recorded $1.9 million and $0.4 million, respectively, in cost of sales for inventory obsolescence in the year-to-date period of 2014.

In February 2015, the Venezuelan government launched an overhaul of its foreign currency exchange structure and created a new exchange mechanism called Simadi that has provided an exchange rate significantly lower than the rate available to the Company under the previous SICAD 2 mechanism. As a result, and based on the perceived impact of this change to the operations of its Venezuelan unit, the Company deemed this change to be a triggering event to evaluate the $15.7 million of long-term fixed assets in Venezuela at that time. This evaluation involved performing an undiscounted cash flow analysis to determine if the carrying value of the assets were recoverable and whether the amount included on the balance sheet was greater than fair value. The Company considered many economic and operating factors, including uncertainty surrounding the interpretation and enforcement of certain product pricing restrictions in Venezuela, the inability at that time to obtain the necessary raw materials locally to meet production demands and the significant decline in the global price of oil. Due, at least in part, to the decline of the global price of oil, the Venezuelan government has not made U.S. dollars widely available through any of the exchange mechanisms it has had in place. Given the devaluation of the Venezuelan bolivar compared with the U.S. dollar, and the lack of U.S dollars available to use for the purchase of raw materials for on-going operations, the Company did not believe it would be able to operate the business profitably. As a result, the Company concluded that the carrying value of the long-term fixed assets in Venezuela was not recoverable. The Company then estimated the fair value of the long-term fixed assets using estimated selling prices available in Venezuela. The primary assets that were considered to continue to maintain a marketable value in Venezuela included commercial office space, a show room and parking spaces. As a result of this evaluation in the first quarter of 2015, the Company recorded an impairment charge of $13.5 million to reduce the long-term fixed asset carrying value in Venezuela to the estimated fair value at that time of $2.2 million, which is considered a non-recurring Level 3 measurement within the fair value hierarchy.

Note 8: Goodwill and Intangible Assets

The Company's goodwill and intangible assets relate primarily to the December 2005 acquisition of the direct-to-consumer businesses of Sara Lee Corporation.

In the third quarter of 2015, the Company completed the annual assessments for all of its reporting units and indefinite-lived intangible assets, concluding there were no impairments. The Company only considers the goodwill balances of $89.8 million and $23.8 million associated with the Fuller Mexico and NaturCare reporting units, respectively, to be significant relative to total equity as of the end of the third quarter of 2015.

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The Company performed step 1 impairment tests for the goodwill associated with the Fuller Mexico and NaturCare reporting units. The fair value analysis for Fuller Mexico and NaturCare were completed using a combination of the income and market approach with a 75 percent weighting on the income approach. The significant assumptions used in the income approach included estimates regarding future operations and the ability to generate cash flows, including projections of revenue, costs, utilization of assets and capital requirements. The income approach also requires an estimate as to the appropriate discount rate to be used for each entity. The most sensitive estimate in this valuation is the projection of operating cash flows, as these provide the basis for the fair market valuation. The Company's cash flow models used a forecast period of 10 years and a terminal value. The growth rates were determined by reviewing historical results of the respective operating units and the historical results of the Company's other similar business units, along with the expected contribution from growth strategies being implemented in the respective reporting units. The market approach relies on an analysis of publicly-traded companies similar to Tupperware and deriving a range of revenue and profit multiples. The publicly-traded companies used in the market approach were selected based on their having similar product lines of consumer goods, beauty products and/or companies using a direct-to-consumer distribution method. The resulting multiples were then applied to the respective reporting units to determine fair value.

The significant assumptions for the Fuller Mexico step 1 analysis included annual revenue changes ranging from negative 2 percent to positive 5 percent with an average growth rate of 3 percent, including a 3 percent growth rate used in calculating the terminal value. The discount rate used for Fuller Mexico was 14.6 percent. As the current forecast results of Fuller Mexico are below the expectations for the step 1 analysis done in 2014, the amount by which the estimated fair value of the Fuller Mexico reporting unit exceeded its carrying value, at 13 percent, was smaller in the third quarter of 2015 than in the 2014 assessment. This decrease reflected lower than expected additions of sales force members in light of high field manager turnover. Along with a difficult competitive environment, this led to worse 2015 operating performance than foreseen in 2014. This was partially offset by a lower discount rate and a lower entity carrying value from amortization of the definite lived Fuller tradename asset that began in the third quarter of 2013. Though the estimated fair value of the reporting unit exceeded its carrying value in the annual assessment, a smaller sales force size and/or operating performance significantly below current expectations, including changes in projected future revenue, profitability and cash flow, as well as higher working capital, interest rates or cost of capital, could have a further negative effect on the fair value of the reporting unit and therefore reduce the fair value below the carrying value. This could result in recording an impairment to the goodwill of Fuller Mexico.

The significant assumptions for the NaturCare step 1 analysis included annual revenue changes ranging from 3 percent to 5 percent with an average growth rate of 4 percent, including a 3 percent growth rate used in calculating the terminal value. The discount rate used for Naturcare was 10.0 percent. The estimated fair value of the NaturCare reporting unit exceeded the carrying value by 130 percent. Based on the Company's evaluation of the assumptions and sensitivities associated with the step 1 analysis for NaturCare, the Company concluded that the fair value substantially exceeded its carrying value as of the end of the third quarter of 2015.

Other than for the Fuller Mexico reporting unit, management has concluded there is no significant foreseeable risk of failing a future step 1 impairment test, nor is there significant foreseeable risk of the fair value of the indefinite-lived intangible assets falling below their respective carrying values. Given the sensitivity of fair value valuations to changes in cash flow or market multiples, the Company may be required to recognize an impairment of goodwill or indefinite-lived intangible assets in the future due to changes in market conditions or other factors related to the Company's performance. Actual results below forecasted results or a decrease in the forecasted future results of the Company's business plans or changes in discount rates could also result in an impairment charge, as could changes in market characteristics including declines in valuation multiples of comparable publicly-traded companies. Further impairment charges would have an adverse impact on the Company's net income and shareholders' equity.

Note 9: Segment Information

The Company manufactures and distributes a broad portfolio of products, primarily through independent direct sales consultants. Certain operating segments have been aggregated based upon consistency of economic substance, geography, products, production process, class of customers and distribution method.

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TUPPERWARE BRANDS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Unaudited)

The Company's reportable segments include the following:

Europe Asia Pacific Tupperware North America	Primarily design-centric preparation, storage and serving solutions for the kitchen and home through the Tupperware® brand. Europe also includes Avroy Shlain®, which sells beauty and personal care products. Asia Pacific also sells beauty and personal care products in some of its units under the NaturCare®, Nutrimetics® and Fuller® brands.
Beauty North America	Premium cosmetics, skin care and personal care products marketed under the BeautiControl® brand in the United States, Canada and Puerto Rico and Fuller Cosmetics® brands in Mexico and Central America.
South America	Both housewares and beauty products under the Fuller®, Nutrimetics®, Nuvo® and Tupperware® brands.

Worldwide sales of beauty and personal care products totaled $96.7 million and $122.5 million in the third quarters of 2015 and 2014, respectively, and $325.0 million and $381.9 million in the respective year-to-date periods.

(In millions)	13 weeks ended		39 weeks ended	
	September 26, 2015	September 27, 2014	September 26, 2015	September 27, 2014
Net sales:				
Europe	$117.4	$136.7	$445.2	$536.3
Asia Pacific	192.9	209.6	578.3	619.7
Tupperware North America	84.9	84.6	258.2	259.5
Beauty North America	53.5	68.8	182.3	220.0
South America	72.3	89.0	227.7	290.7
Total net sales	$521.0	$588.7	$1,691.7	$1,926.2
Segment profit (loss):				
Europe	$5.9	$6.3	$61.6	$74.5
Asia Pacific (a)	43.3	45.4	123.8	132.8
Tupperware North America	15.3	16.0	48.5	49.4
Beauty North America (a)	0.2	(1.2)	3.2	1.1
South America	12.9	5.6	29.8	8.6
Total segment profit	$77.6	$72.1	$266.9	$266.4
Unallocated expenses	(17.9)	(10.5)	(49.0)	(37.8)
Re-engineering and impairment charges (a)	(0.3)	(2.6)	(18.0)	(8.3)
Gains on disposal of assets	2.0	—	13.4	2.3
Interest expense, net	(10.8)	(11.1)	(35.1)	(33.9)
Income before taxes	$50.6	$47.9	$178.2	$188.7

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TUPPERWARE BRANDS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Unaudited)

(In millions)	September 26, 2015	December 27, 2014
Identifiable assets:		
Europe	$300.3	$337.3
Asia Pacific	308.8	321.4
Tupperware North America	134.8	137.1
Beauty North America	265.4	317.0
South America	99.2	131.1
Corporate	554.8	536.1
Total identifiable assets	$1,663.3	$1,780.0

(a) See Note 7 to the unaudited Consolidated Financial Statements for a discussion of re-engineering and impairment charges.

Note 10: Debt
Debt Obligations

(In millions)	September 26, 2015	December 27, 2014
Fixed rate senior notes due 2021	$ 599.3	$599.2
Five year Revolving Credit Agreement (a)	281.1	209.0
Belgium facility capital lease	11.2	13.9
Other	3.5	11.4
Total debt obligations	$ 895.1	$833.5

(a) $179.5 million denominated in euros as of September 26, 2015.

Credit Agreement
On June 9, 2015, the Company and its wholly owned subsidiary Tupperware International Holdings B.V. (the “Subsidiary Borrower”), entered into Amendment No. 2 (the "Amendment”) to their multicurrency Amended and Restated Credit Agreement dated as of September 11, 2013, as amended by Amendment No. 1 dated as of June 2, 2014 (as so amended, the “Credit Agreement”). The terms and structure of the Credit Agreement remain largely the same. The Amendment (i) reduced the aggregate amount available to the Company and the Subsidiary Borrower under the Credit Agreement from $650 million to $600 million (the “Facility Amount”), (ii) extended the final maturity date of the Credit Agreement from September 11, 2018 to June 9, 2020, and (iii) amended the applicable margins for borrowings and the commitment fee to be generally more favorable for the Company. The Credit Agreement continues to provide (a) a revolving credit facility, available up to the full amount of the Facility Amount, (b) a letter of credit facility, available up to $50 million of the Facility Amount, and (c) a swingline facility, available up to $100 million of the Facility Amount. Each of such facilities is fully available to the Company and is available to the Subsidiary Borrower up to an aggregate amount not to exceed $325 million. The Company is permitted to increase, on up to three occasions, the Facility Amount by a total of up to $200 million (for a maximum aggregate Facility Amount of $800 million), subject to certain conditions including agreement by the lenders.

Loans made under the Credit Agreement bear interest under a formula that includes, at the Company's option, one of three different base rates. The Company generally selects the London Interbank Offered Rate ("LIBOR") for the applicable currency and interest period as its base for its interest rate. As provided in the Credit Agreement, a margin is added to the base. The applicable margin is determined by a pricing schedule and is based upon the better for the Company of (a) the ratio (the "Consolidated Leverage Ratio") of the consolidated funded indebtedness of the Company and its subsidiaries to the consolidated EBITDA (as defined in the Credit Agreement) of the Company and its subsidiaries for the four fiscal quarters then most recently ended, or (b) the Company's then existing long-term debt securities rating by Moody's Investor Service, Inc. or Standard and Poor's Financial Services, Inc. As of September 26, 2015, the Company had a weighted average interest rate on outstanding LIBOR based borrowings of 1.56 percent under the Credit Agreement.

At September 26, 2015, the Company had $582.2 million of unused lines of credit, including $317.2 million under the committed, secured Credit Agreement, and $265.0 million available under various uncommitted lines around the world.

The Credit Agreement has customary financial covenants related to interest coverage and leverage. These restrictions are not expected to impact the Company's operations. As of September 26, 2015, and currently, the Company had considerable cushion under its financial covenants.

Note 11: Derivative Instruments and Hedging Activities

The Company is exposed to fluctuations in foreign currency exchange rates on the earnings, cash flows and financial position of its international operations. Although this currency risk is partially mitigated by the natural hedge arising from the Company's local manufacturing in many markets, a strengthening U.S. dollar generally has a negative impact on the Company. In response to this fact, the Company uses financial instruments to hedge certain of its exposures and to manage the foreign exchange impact to its financial statements. At its inception, a derivative financial instrument used for hedging is designated as a fair value, cash flow or net equity hedge.

Fair value hedges are entered into with financial instruments such as forward contracts, with the objective of limiting exposure to certain foreign exchange risks primarily associated with accounts payable and non-permanent intercompany transactions. For derivative instruments that are designated and qualify as fair value hedges, the gain or loss on the derivative, as well as the offsetting gain or loss on the hedged item attributable to the hedged risk, are recognized in current earnings. In assessing hedge effectiveness, the Company excludes forward points, which are considered to be a component of interest expense. The forward points on fair value hedges resulted in pretax gains of $2.6 million and $2.3 million in the third quarters of 2015 and 2014, respectively, and $9.0 million and $7.5 million for the respective year-to-date periods.

The Company also uses derivative financial instruments to hedge foreign currency exposures resulting from certain forecasted purchases and classifies these as cash flow hedges. At initiation, the Company's cash flow hedge contracts are for periods ranging from one to fifteen months. The effective portion of the gain or loss on the hedging instrument is recorded in other comprehensive income and is reclassified into earnings as the transactions being hedged are recorded. As such, the balance at the end of the reporting period in other comprehensive income, related to cash flow hedges, will be reclassified into earnings within the next twelve months. The associated asset or liability on the open hedges is recorded in other current assets or accrued liabilities, as applicable. In assessing hedge effectiveness, the Company excludes forward points, which are included as a component of interest expense.

The Company also uses financial instruments, such as forward contracts and certain euro denominated borrowings under the Company's Credit Agreement, to hedge a portion of its net equity investment in international operations and classifies these as net equity hedges. Changes in the value of these financial instruments, excluding any ineffective portion of the hedges, are included in foreign currency translation adjustments within accumulated other comprehensive loss. The Company recorded, net of tax, a net gain associated with these hedges, in other comprehensive income of $27.7 million and $54.1 million in the third quarter and year-to-date periods of 2015, respectively, and a net gain of $6.0 million and $2.2 million for the respective periods of 2014. Due to the permanent

nature of the investments, the Company does not anticipate reclassifying any portion of these amounts to the income statement in the next twelve months. In assessing hedge effectiveness, the Company excludes forward points, which are included as a component of interest expense.

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While the Company's net equity and fair value hedges of non-permanent intercompany balances mitigate its exposure to foreign exchange gains or losses, they result in an impact to operating cash flows as they are settled, whereas the hedged items do not generate offsetting cash flows. The net cash flow impact of these currency hedges were an outflow of $21.1 million and an inflow of $0.1 million for the year-to-date periods ended September 26, 2015 and September 27, 2014, respectively.

The Company considers the total notional value of its forward contracts as the best measure of the volume of derivative transactions. As of September 26, 2015 and December 27, 2014, the notional amounts of outstanding forward contracts to purchase currencies were $123.4 million and $185.1 million, respectively, and the notional amounts of outstanding forward contracts to sell currencies were $110.2 million and $184.2 million, respectively. As of September 26, 2015, the notional values of the largest positions outstanding were to purchase US dollars $88.0 million and to sell Mexican pesos $21.2 million.

The following table summarizes the Company's derivative positions, which are the only assets and liabilities recorded at fair value on a recurring basis, and the impact they had on the Company's financial position as of September 26, 2015 and December 27, 2014. Fair values were determined based on third party quotations (Level 2 fair value measurement):

	Asset derivatives			Liability derivatives		
		Fair value			Fair value	
Derivatives designated as hedging instruments (in millions)	Balance sheet location	Sept 26, 2015	Dec 27, 2014	Balance sheet location	Sept 26, 2015	Dec 27, 2014
Foreign exchange contracts	Non-trade amounts receivable	$34.7	$35.0	Accrued liabilities	$18.9	$30.3

The following table summarizes the impact of the Company's fair value hedging positions on the results of operations for the third quarters of 2015 and 2014:

Derivatives designated as fair value hedges (in millions)	Location of gain or (loss) recognized in income on derivatives	Amount of gain or (loss) recognized in income on derivatives		Location of gain or (loss) recognized in income on related hedged items	Amount of gain or (loss) recognized in income on related hedged items	
		2015	2014		2015	2014
Foreign exchange contracts	Other expense	$ (44.3)	$ (8.4)	Other expense	$ 44.4	$ 8.5

The following table summarizes the impact of Company's hedging activities on comprehensive income for the third quarters of 2015 and 2014:

Cash flow and net equity hedges (in millions)	Amount of gain or (loss) recognized in OCI (effective portion)		Location of gain or (loss) reclassified from accumulated OCI into income (effective portion)	Amount of gain or (loss) reclassified from accumulated OCI into income (effective portion)		Location of gain or (loss) recognized in income (ineffective portion and amount excluded from effectiveness testing)	Amount of gain or (loss) recognized in income (ineffective portion and amount excluded from effectiveness testing)	
Cash flow hedging relationships	2015	2014		2015	2014		2015	2014
Foreign exchange contracts	$ 8.2	$ 3.1	Cost of products sold	$ 5.6	$ 1.8	Interest expense	$ (1.0)	$ (1.6)

Net equity hedging relationships								
Foreign exchange contracts	43.0	9.5	Other expense	—	—	Interest expense	(3.5)	(3.2)
Euro denominated debt	0.1	—	Other expense	—	—	Other expense	—	—

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The following table summarizes the impact of the Company's fair value hedging positions on the results of operations for the year-to-date periods ended September 26, 2015 and September 27, 2014:

Derivatives designated as fair value hedges (in millions)	Location of gain or (loss) recognized in income on derivatives	Amount of gain or (loss) recognized in income on derivatives		Location of gain or (loss) recognized in income on related hedged items	Amount of gain or (loss) recognized in income on related hedged items	
		2015	2014		2015	2014
Foreign exchange contracts	Other expense	$ (84.0)	$ (2.6)	Other expense	$ 84.3	$ 2.8

The following table summarizes the impact of Company's hedging activities on comprehensive income for the year-to-date periods ended September 26, 2015 and September 27, 2014:

Cash flow and net equity hedges (in millions)	Amount of gain or (loss) recognized in OCI (effective portion)		Location of gain or (loss) reclassified from accumulated OCI into income (effective portion)	Amount of gain or (loss) reclassified from accumulated OCI into income (effective portion)		Location of gain or (loss) recognized in income (ineffective portion and amount excluded from effectiveness testing)	Amount of gain or (loss) recognized in income (ineffective portion and amount excluded from effectiveness testing)	
Cash flow hedging relationships	2015	2014		2015	2014		2015	2014
Foreign exchange contracts	$ 13.7	$ 6.0	Cost of products sold	$ 14.1	$ 5.0	Interest expense	$ (5.6)	$ (4.5)
Net equity hedging relationships								
Foreign exchange contracts	75.2	3.5	Other expense	—	—	Interest expense	(11.5)	(9.9)
Euro denominated debt	9.1	—	Other expense	—	—	Other expense	—	—

Note 12: Fair Value Measurements

Due to their short maturities or their insignificance, the carrying amounts of cash and cash equivalents, accounts and notes receivable, accounts payable, accrued liabilities and short-term borrowings approximated their fair values at September 26, 2015 and December 27, 2014. The Company estimates that, based on current market conditions, the value of its 4.750% 2021 senior notes was $621.6 million at September 26, 2015, compared with the carrying value of $599.3 million. The higher fair value resulted from changes, since issuance, in the corporate bond market and investor preferences. The fair value of debt is classified as a Level 2 liability, and is estimated using quoted market prices as provided in secondary markets which consider the Company's credit risk and market related conditions. See Note 11 to the Consolidated Financial Statements for discussion of the Company's derivative instruments and related fair value measurements.

Note 13: Retirement Benefit Plans

Components of net periodic benefit cost for the third quarter and year-to-date periods ended September 26, 2015 and September 27, 2014 were as follows:

	Third Quarter	Year-to-Date
	Pension benefits	Pension benefits

			Post-retirement benefits				Post-retirement benefits	
(In millions)	2015	2014	2015	2014	2015	2014	2015	2014
Service cost	$2.6	$2.6	$0.1	$—	$8.1	$8.2	$0.1	$0.1
Interest cost	1.8	2.1	0.1	0.3	5.3	6.5	0.5	0.9
Expected return on plan assets	(1.4)	(1.5)	—	—	(4.2)	(4.6)	—	—
Settlement/curtailment	0.1	0.4	—	—	0.5	0.4	—	—
Net amortization	1.0	0.7	(0.3)	(0.3)	3.1	1.9	(0.9)	(0.6)
Net periodic benefit cost	$4.1	$4.3	$(0.1)	$—	$12.8	$12.4	$(0.3)	$0.4

During the year-to-date periods ended September 26, 2015 and September 27, 2014, approximately $2.7 million and $1.7 million, respectively, of pretax expenses were reclassified from other comprehensive income to a component of net periodic benefit cost. As they relate to foreign plans, the Company uses current exchange rates to make these reclassifications. The impact of exchange rate fluctuations is included on the net amortization line of the table above.

Note 14: Income Taxes

The effective tax rates for the third quarter and year-to-date periods of 2015 were 28.5 percent and 28.4 percent compared with 32.5 percent and 30.0 percent, respectively, for the comparable 2014 periods. The higher 2014 rates were due to higher 2014 losses incurred related to the devaluation of the Venezuelan bolivar for which no tax benefit could be recognized. In addition, the Company reduced its accrual for uncertain tax positions by $1.0 million due to the expiration of statutes of limitation in various jurisdictions in the third quarter of 2015, of which $0.2 million did not impact tax expense. The effective tax rates are below the U.S. statutory rate primarily due to lower foreign effective tax rates.

As of September 26, 2015 and December 27, 2014, the Company's gross unrecognized tax benefit was $20.0 million and $22.5 million, respectively. The Company estimates that approximately $18.2 million of the unrecognized tax benefits, if recognized, would impact the effective tax rate. Interest and penalties related to uncertain tax positions in the Company's global operations are recorded as a component of the provision for income taxes. Accrued interest and penalties were $5.0 million and $6.5 million as of September 26, 2015 and December 27, 2014, respectively. During 2015, the accrual for uncertain tax positions decreased by $2.3 million primarily as a result of the Company agreeing to audit settlements and expiration of statutes of limitation in various jurisdictions. In addition, the accrual for interest and penalties was reduced by $1.3 million.

The Company estimates that it may settle one or more foreign audits in the next twelve months that may result in a decrease in the amount of accrual for uncertain tax positions of up to $1.0 million. For the remaining balance as of September 26, 2015, the Company is not able to reliably estimate the timing or ultimate settlement amount. While the Company does not currently expect material changes, it is possible that the amount of unrecognized benefit with respect to the uncertain tax positions will significantly increase or decrease related to audits in various foreign jurisdictions that may conclude during that period or new developments including changes in laws that could also, in turn, impact the Company's assessment relative to the establishment of valuation allowances against certain existing deferred tax assets. These valuation allowances relate to tax assets in jurisdictions where it is management's best estimate that there is not a greater than 50 percent probability that the benefit of the assets will be realized in the associated tax returns. The likelihood of realizing the benefit of deferred tax assets is assessed on an ongoing basis. This assessment requires estimates as to future operating results, as well as an evaluation of the effectiveness of the Company's tax planning strategies. At this time, the Company is not able to make a reasonable estimate of the range of impact on the balance of unrecognized tax benefits or the impact on the effective tax rate related to these items.

Note 15: Statement of Cash Flow Supplemental Disclosure

Under the Company's stock incentive programs, employees are allowed to use shares retained by the Company to satisfy U.S. minimum statutorily required withholding taxes. In the year-to-date periods ended September 26, 2015 and September 27, 2014, 12,847 and 93,505 shares, respectively, were retained to fund withholding taxes, with values totaling $0.9 million and $7.4 million, respectively, which were included as a component of stock repurchases in the Consolidated Statements of Cash Flows.

During the first quarter of 2014, the Company entered into a joint venture with a real estate development partner. The Company contributed land to the joint venture in exchange for 50 percent ownership of the joint venture. The carrying value of the land was $3.1 million. The Company's ownership interest in the joint venture is accounted for using the equity method and was included in long-term other assets on the September 26, 2015 and December 27, 2014 balance sheets at the carrying value of the contributed land. The Company does not expect to have any significant cash inflows or outflows related to the joint venture until such time as the joint venture completes and sells its development.

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There were no capital lease arrangements initiated in the year-to-date periods ended September 26, 2015 or September 27, 2014. During the third quarter of 2015, the Company acquired $2.5 million in internal use software, included in property, plant and equipment, under a non-cash financing arrangement under which the Company is paying in two-installments in less than twelve months.

Note 16: Stock Based Compensation

Stock option activity for 2015 is summarized in the following table:

	Shares subject to option	Weighted average exercise price per share	Aggregate intrinsic value (in millions)
Outstanding at December 27, 2014	2,192,136	$ 48.95	
Granted	7,132	62.40	
Expired / Forfeited	(11,158)	69.28	
Exercised	(240,269)	31.96	
Outstanding at September 26, 2015	1,947,841	$ 50.96	$ 14.6
Exercisable at September 26, 2015	1,343,978	$ 43.26	$ 14.6

The intrinsic value of options exercised totaled $4.7 million and $5.2 million in the third quarters of 2015 and 2014, respectively, and $7.3 million and $19.1 million in the respective year-to-date periods.

The Company also has time-vested, performance-vested and market-vested share awards. The activity for such awards in 2015 is summarized in the following table:

	Shares outstanding	Weighted average grant date fair value
December 27, 2014	651,849	$ 59.76
Time-vested shares granted	22,339	65.20
Market-vested shares granted	23,637	64.21
Performance shares granted	62,722	72.61
Performance share adjustments	(1,132)	78.97
Vested	(251,819)	36.63
Forfeited	(9,213)	75.12
September 26, 2015	498,383	$ 73.12

Compensation expense related to the Company's stock based compensation for the third quarter and year-to-date periods ended September 26, 2015 and September 27, 2014 was as follows:

	Third Quarter		Year-to-Date	
(In millions)	2015	2014	2015	2014
Stock options	$ 0.4	$ 0.4	$ 1.5	$ 1.3
Time, performance and market vested share awards	3.2	2.7	10.3	10.2

As of September 26, 2015, total unrecognized stock based compensation expense related to all stock based awards was $21.1 million, which is expected to be recognized over a weighted average period of 1.7 years.

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Note 17: Allowance for Long-Term Receivables

As of September 26, 2015, $12.4 million of long-term receivables from both active and inactive customers were considered past due, the majority of which were reserved through the Company's allowance for uncollectible accounts. The balance of the allowance for long-term receivables as of September 26, 2015 was as follows:

(In millions)	
Balance at December 27, 2014	$13.1
Write-offs	(0.8)
Provision and reclassifications	1.2
Currency translation adjustment	(1.6)
Balance at September 26, 2015	$11.9

Note 18: Guarantor Information

The Company's payment obligations under its senior notes due in 2021 are fully and unconditionally guaranteed, on a senior secured basis, by the Guarantor. The guarantee is secured by certain "Tupperware" trademarks and service marks owned by the Guarantor.

Condensed consolidated financial information as of September 26, 2015 and December 27, 2014 and for the quarter-to-date periods ended September 26, 2015 and September 27, 2014 for Tupperware Brands Corporation (the "Parent"), Dart Industries Inc. (the "Guarantor") and all other subsidiaries (the "Non-Guarantors") is as follows. Each entity in the consolidating financial information follows the same accounting policies as described in the consolidated financial statements, except for the use by the Parent and Guarantor of the equity method of accounting to reflect ownership interests in subsidiaries that are eliminated upon consolidation. The Guarantor is 100% owned by the Parent, and there are certain entities within the Non-Guarantors classification which the Parent owns directly. There are no significant restrictions on the ability of either the Parent or the Guarantor from obtaining adequate funds from their respective subsidiaries by dividend or loan that should interfere with their ability to meet their operating needs or debt repayment obligations.

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Consolidating Statement of Income

	13 Weeks Ended September 26, 2015				
(In millions)	Parent	Guarantor	Non-Guarantors	Eliminations	Total
Net sales	$—	$—	$ 522.4	$(1.4)	$521.0
Other revenue	—	28.7	9.0	(37.7)	—
Cost of products sold	—	9.0	200.3	(36.8)	172.5
Gross margin	—	19.7	331.1	(2.3)	348.5
Delivery, sales and administrative expense	3.3	23.1	264.4	(2.3)	288.5
Re-engineering and impairment charges	—	—	0.3	—	0.3
Gains on disposal of assets	—	—	2.0	—	2.0
Operating income (loss)	(3.3)	(3.4)	68.4	—	61.7
Interest income	8.1	5.8	2.1	(15.5)	0.5
Interest expense	11.6	9.3	5.9	(15.5)	11.3
Income from equity investments in subsidiaries	40.5	46.0	—	(86.5)	—
Other expense (income)	—	0.3	—	—	0.3
Income before income taxes	33.7	38.8	64.6	(86.5)	50.6
Provision (benefit) for income taxes	(2.5)	(2.8)	19.7	—	14.4
Net income (loss)	$36.2	$41.6	$ 44.9	$(86.5)	$36.2
Comprehensive income (loss)	$(26.4)	$(19.6)	$ 0.8	$18.8	$(26.4)

Consolidating Statement of Income

	13 Weeks Ended September 27, 2014				
(In millions)	Parent	Guarantor	Non-Guarantors	Eliminations	Total
Net sales	$—	$—	$ 590.6	$(1.9)	$588.7
Other revenue	—	28.5	6.5	(35.0)	—
Cost of products sold	—	6.5	237.3	(34.6)	209.2
Gross margin	—	22.0	359.8	(2.3)	379.5
Delivery, sales and administrative expense	2.6	17.3	304.1	(2.3)	321.7
Re-engineering and impairment charges	—	—	2.6	—	2.6
Gains on disposal of assets	—	—	—	—	—
Operating income (loss)	(2.6)	4.7	53.1	—	55.2
Interest income	0.1	7.4	1.3	(8.0)	0.8
Interest expense	9.8	5.4	4.7	(8.0)	11.9
Income from equity investments in subsidiaries	40.4	36.2	—	(76.6)	—
Other expense (income)	—	—	(3.8)	—	(3.8)
Income before income taxes	28.1	42.9	53.5	(76.6)	47.9
Provision (benefit) for income taxes	(4.2)	2.2	17.6	—	15.6
Net income (loss)	$32.3	$40.7	$ 35.9	$(76.6)	$32.3
Comprehensive income (loss)	$7.4	$16.5	$ 20.0	$(36.5)	$7.4

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Consolidating Statement of Income

	39 Weeks Ended September 26, 2015				
(In millions)	Parent	Guarantor	Non-Guarantors	Eliminations	Total
Net sales	$—	$—	$ 1,694.0	$(2.3)	$1,691.7
Other revenue	—	85.5	23.9	(109.4)	—
Cost of products sold	—	23.9	634.3	(105.0)	553.2
Gross margin	—	61.6	1,083.6	(6.7)	1,138.5
Delivery, sales and administrative expense	10.9	61.8	846.0	(6.7)	912.0
Re-engineering and impairment charges	—	—	18.0	—	18.0
Gains on disposal of assets	—	—	13.4	—	13.4
Operating income (loss)	(10.9)	(0.2)	233.0	—	221.9
Interest income	23.4	18.5	4.5	(44.9)	1.5
Interest expense	36.5	26.4	18.6	(44.9)	36.6
Income from equity investments in subsidiaries	142.7	145.3	—	(288.0)	—
Other expense (income)	—	0.3	8.3	—	8.6
Income before income taxes	118.7	136.9	210.6	(288.0)	178.2
Provision (benefit) for income taxes	(9.0)	(3.5)	63.0	—	50.5
Net income (loss)	$127.7	$140.4	$ 147.6	$(288.0)	$127.7
Comprehensive income (loss)	$21.3	$30.2	$ 64.3	$(94.5)	$21.3

Consolidating Statement of Income

	39 Weeks Ended September 27, 2014				
(In millions)	Parent	Guarantor	Non-Guarantors	Eliminations	Total
Net sales	$—	$—	$ 1,931.7	$(5.5)	$1,926.2
Other revenue	—	91.7	18.7	(110.4)	—
Cost of products sold	—	18.7	746.6	(108.8)	656.5
Gross margin	—	73.0	1,203.8	(7.1)	1,269.7
Delivery, sales and administrative expense	10.4	52.8	958.7	(7.1)	1,014.8
Re-engineering and impairment charges	—	—	8.3	—	8.3
Gains on disposal of assets	—	—	2.3	—	2.3
Operating income (loss)	(10.4)	20.2	239.1	—	248.9
Interest income	0.3	22.0	3.5	(23.8)	2.0
Interest expense	28.7	15.3	15.7	(23.8)	35.9
Income from equity investments in subsidiaries	157.3	142.3	—	(299.6)	—
Other expense	—	0.2	26.1	—	26.3
Income before income taxes	118.5	169.0	200.8	(299.6)	188.7
Provision (benefit) for income taxes	(13.6)	9.9	60.3	—	56.6
Net income (loss)	$132.1	$159.1	$ 140.5	$(299.6)	$132.1
Comprehensive income (loss)	$114.5	$141.6	$ 127.9	$(269.5)	$114.5

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Condensed Consolidating Balance Sheet

	September 26, 2015				
(In millions)	Parent	Guarantor	Non-Guarantors	Eliminations	Total
ASSETS					
Cash and cash equivalents	$—	$0.3	$92.8	$—	$93.1
Accounts receivable, net	—	—	158.6	—	158.6
Inventories	—	—	285.7	—	285.7
Deferred income tax benefits, net	6.2	36.9	64.3	(1.9)	105.5
Non-trade amounts receivable, net	—	42.2	105.9	(88.9)	59.2
Intercompany receivables	21.4	630.4	226.1	(877.9)	—
Prepaid expenses and other current assets	1.5	3.9	90.1	(69.3)	26.2
Total current assets	29.1	713.7	1,023.5	(1,038.0)	728.3
Deferred income tax benefits, net	99.9	188.4	114.5	—	402.8
Property, plant and equipment, net	—	45.7	209.0	—	254.7
Long-term receivables, net	—	0.1	13.9	—	14.0
Trademarks and tradenames, net	—	—	86.8	—	86.8
Other intangible assets, net	—	—	0.3	—	0.3
Goodwill	—	2.9	145.8	—	148.7
Investments in subsidiaries	1,110.8	562.4	—	(1,673.2)	—
Intercompany notes receivable	459.1	496.8	295.0	(1,250.9)	—
Other assets, net	1.7	1.2	122.0	(97.2)	27.7
Total assets	$1,700.6	$2,011.2	$2,010.8	$(4,059.3)	$1,663.3
LIABILITIES AND SHAREHOLDERS' EQUITY					
Accounts payable	$—	$2.7	$92.0	$—	$94.7
Short-term borrowings and current portion of long-term debt and capital lease obligations	191.9	2.5	91.8	—	286.2
Intercompany payables	567.4	230.9	79.6	(877.9)	—
Accrued liabilities	142.8	85.6	259.5	(160.1)	327.8
Total current liabilities	902.1	321.7	522.9	(1,038.0)	708.7
Long-term debt and capital lease obligations	599.3	—	9.6	—	608.9
Intercompany notes payable	56.2	502.5	692.2	(1,250.9)	—
Other liabilities	18.3	121.6	178.3	(97.2)	221.0
Shareholders' equity	124.7	1,065.4	607.8	(1,673.2)	124.7
Total liabilities and shareholders' equity	$1,700.6	$2,011.2	$2,010.8	$(4,059.3)	$1,663.3

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TUPPERWARE BRANDS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Unaudited)

Condensed Consolidating Balance Sheet

	December 27, 2014				
(In millions)	Parent	Guarantor	Non-Guarantors	Eliminations	Total
ASSETS					
Cash and cash equivalents	$—	$—	$ 77.0	$—	$77.0
Accounts receivable, net	—	—	168.1	—	168.1
Inventories	—	—	306.0	—	306.0
Deferred income tax benefits, net	6.2	36.9	75.7	—	118.8
Non-trade amounts receivable, net	0.1	9.2	90.7	(38.2)	61.8
Intercompany receivables	11.8	755.2	227.6	(994.6)	—
Prepaid expenses and other current assets	1.1	1.8	101.8	(83.1)	21.6
Total current assets	19.2	803.1	1,046.9	(1,115.9)	753.3
Deferred income tax benefits, net	97.5	189.2	130.0	—	416.7
Property, plant and equipment, net	—	43.7	246.6	—	290.3
Long-term receivables, net	—	0.1	17.2	—	17.3
Trademarks and tradenames, net	—	—	104.2	—	104.2
Other intangible assets, net	—	—	1.5	—	1.5
Goodwill	—	2.9	161.8	—	164.7
Investments in subsidiaries	1,479.0	575.0	—	(2,054.0)	—
Intercompany notes receivable	48.4	554.1	236.5	(839.0)	—
Other assets, net	1.5	0.6	160.1	(130.2)	32.0
Total assets	$1,645.6	$2,168.7	$ 2,104.8	$(4,139.1)	$1,780.0
LIABILITIES AND SHAREHOLDERS' EQUITY					
Accounts payable	$—	$2.6	$ 140.2	$—	$142.8
Short-term borrowings and current portion of long-term debt and capital lease obligations	110.9	2.3	108.2	—	221.4
Intercompany payables	632.0	225.0	137.6	(994.6)	—
Accrued liabilities	66.4	144.1	294.0	(121.3)	383.2
Total current liabilities	809.3	374.0	680.0	(1,115.9)	747.4
Long-term debt and capital lease obligations	599.2	—	12.9	—	612.1
Intercompany notes payable	32.5	204.0	602.5	(839.0)	—
Other liabilities	18.8	155.5	190.6	(130.2)	234.7
Shareholders' equity	185.8	1,435.2	618.8	(2,054.0)	185.8
Total liabilities and shareholders' equity	$1,645.6	$2,168.7	$ 2,104.8	$(4,139.1)	$1,780.0

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TUPPERWARE BRANDS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Unaudited)

Condensed Consolidating Statement of Cash Flows

	39 Weeks Ended September 26, 2015				
(In millions)	Parent	Guarantor	Non-Guarantors	Eliminations	Total
Operating Activities:					
Net cash provided by (used in) operating activities	$456.7	$(77.3)	$ 190.4	$(497.6)	$72.2
Investing Activities:					
Capital expenditures	—	(8.7)	(33.7)	—	(42.4)
Proceeds from disposal of property, plant and equipment	—	—	17.5	—	17.5
Net intercompany loans	(355.1)	89.5	(11.5)	277.1	—
Return of capital	—	105.5	—	(105.5)	—
Net cash provided by (used in) investing activities	(355.1)	186.3	(27.7)	171.6	(24.9)
Financing Activities:					
Dividend payments to shareholders	(103.6)	—	—	—	(103.6)
Dividend payments to parent	—	(400.0)	(80.8)	480.8	—
Net proceeds from issuance of senior notes	0.1	—	(0.1)	—	—
Proceeds from exercise of stock options	7.6	—	—	—	7.6
Repurchase of common stock	(0.9)	—	—	—	(0.9)
Repayment of capital lease obligations	—	—	(2.1)	—	(2.1)
Net change in short-term debt	90.0	(2.3)	(5.7)	—	82.0
Debt issuance costs	(0.7)	—	—	—	(0.7)
Excess tax benefits from share-based payment arrangements	2.5	—	—	—	2.5
Net intercompany borrowings	(96.6)	293.8	63.1	(260.3)	—
Return of capital to parent	—	—	(105.5)	105.5	—
Net cash provided by (used in) financing activities	(101.6)	(108.5)	(131.1)	326.0	(15.2)
Effect of exchange rate changes on cash and cash equivalents	—	(0.2)	(15.8)	—	(16.0)
Net change in cash and cash equivalents	—	0.3	15.8	—	16.1
Cash and cash equivalents at beginning of year	—	—	77.0	—	77.0
Cash and cash equivalents at end of period	$—	$0.3	$ 92.8	$—	$93.1

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TUPPERWARE BRANDS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Unaudited)

Condensed Consolidating Statement of Cash Flows

	39 Weeks Ended September 27, 2014				
(In millions)	Parent	Guarantor	Non-Guarantors	Eliminations	Total
Operating Activities:					
Net cash provided by (used in) operating activities	$(25.3)	$103.4	$45.7	$(34.7)	$89.1
Investing Activities:					
Capital expenditures	—	(10.8)	(35.2)	—	(46.0)
Proceeds from disposal of property, plant and equipment	—	—	6.1	—	6.1
Net intercompany loans	2.3	6.5	14.0	(22.8)	—
Net cash provided by (used in) investing activities	2.3	(4.3)	(15.1)	(22.8)	(39.9)
Financing Activities:					
Dividend payments to shareholders	(101.0)	—	—	—	(101.0)
Dividend payments to parent	—	—	(37.1)	37.1	—
Proceeds from exercise of stock options	14.0	—	—	—	14.0
Repurchase of common stock	(41.7)	—	—	—	(41.7)
Repayment of capital lease obligations	—	—	(2.5)	—	(2.5)
Net change in short-term debt	87.6	—	(2.7)	—	84.9
Excess tax benefits from share-based payment arrangements	8.8	—	—	—	8.8
Net intercompany borrowings	55.3	(97.5)	21.8	20.4	—
Net cash provided by (used in) financing activities	23.0	(97.5)	(20.5)	57.5	(37.5)
Effect of exchange rate changes on cash and cash equivalents	—	(1.4)	(48.2)	—	(49.6)
Net change in cash and cash equivalents	—	0.2	(38.1)	—	(37.9)
Cash and cash equivalents at beginning of year	—	0.1	127.2	—	127.3
Cash and cash equivalents at end of period	$—	$0.3	$89.1	$—	$89.4

Note 19: New Accounting Pronouncements

In May 2014, the FASB issued an amendment to existing guidance regarding revenue from contracts with customers. The amendment outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. In August 2015, the FASB issued an amendment to defer the effective date by one year to December 15, 2017 for annual reporting periods beginning after that date. The amendment also allows early adoption of the revenue standard, but not before the original effective date of December 15, 2016. The Company is currently evaluating the impact of the adoption of this amendment on its Consolidated Financial Statements.

In February 2015, the FASB issued an amendment to existing guidance regarding consolidation for reporting organizations such as limited partnerships and other similar entities that are required to evaluate whether they should consolidate certain legal entities. This guidance is effective for fiscal years beginning after December 15, 2015. Early adoption is permitted. The Company does not expect adoption of this amendment to have an impact on its Consolidated Financial Statements.

In April 2015, the FASB issued an amendment to existing guidance which requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The Company adopted this amendment retrospectively effective March 28, 2015. The adoption of this amendment did not have a material impact on the Consolidated Financial Statements.

In April 2015, the FASB issued an amendment to existing guidance providing a practical expedient for entities with fiscal year-ends that do not fall on a month-end by permitting those entities to measure defined benefit plan assets and obligations as of the month-end that is closest to the entity's fiscal year-end. The Company adopted this amendment prospectively effective March 28, 2015. The adoption of this amendment did not have a material impact on the Consolidated Financial Statements.

In April 2015, the FASB issued an amendment to existing guidance regarding accounting for fees in a cloud computing arrangement. Under the amendment, if a cloud computing arrangement includes a software license, then the entity should account for the software license element of the arrangement consistent with the acquisition of other software licenses. If the arrangement does not include a software license, the entity should account for the arrangement as a service contract. The Company adopted this amendment prospectively effective March 28, 2015. The adoption of this amendment did not have a material impact on the Consolidated Financial Statements.

In July 2015, the FASB issued an amendment to existing guidance simplifying the measurement of inventory. Under the amendment, inventory should be measured at the lower of cost and net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. This guidance is effective for fiscal years beginning after December 15, 2016. Early adoption is permitted. The Company does not expect the adoption of this amendment to have an impact on its Consolidated Financial Statements.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following is a discussion of the results of operations for the 13 and 39 weeks ended September 26, 2015, compared with the 13 and 39 weeks ended September 27, 2014, and changes in financial condition during the 39 weeks ended September 26, 2015.

The Company's primary means of distributing its products is through independent sales organizations and individuals, which in many cases are also its customers. The vast majority of the Company's products are, in turn, sold to end customers who are not members of its sales force. The Company is largely dependent upon these independent sales organizations and individuals to reach end consumers, and any significant disruption of this distribution network would have a negative financial impact on the Company and its ability to generate sales, earnings and operating cash flows. The Company's primary business drivers are the size, activity, diversity and productivity of its independent sales organizations.

As the impacts of foreign currency translation are an important factor in understanding period-to-period comparisons, the Company believes the presentation of results on a local currency basis, as a supplement to reported results, helps improve readers' ability to understand the Company's operating results and evaluate performance in comparison with prior periods. The Company presents local currency information that compares results between periods as if current period exchange rates had been the exchange rates in the prior period. The Company uses results on a local currency basis as one measure to evaluate performance. The Company generally refers to such amounts as calculated on a "local currency" basis, or "excluding the impact of foreign currency." These results should be considered in addition to, not as a substitute for, results reported in accordance with generally accepted accounting principles in the United States ("GAAP"). Results on a local currency basis may not be comparable to similarly titled measures used by other companies.

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Overview

(In millions, except per share amounts)	13 weeks ended September 26, 2015	13 weeks ended September 27, 2014	Change	Change excluding the impact of foreign exchange	Foreign exchange impact
Net sales	$521.0	$588.7	(11)%	7%	$(102.5)
Gross margin as percent of sales	66.9%	64.5%	2.4 pp	na	na
DS&A as percent of sales	55.4%	54.6%	0.8 pp	na	na
Operating income	$61.7	$55.2	11%	67%	$(18.4)
Net income	$36.2	$32.3	12%	99%	$(14.0)
Net income per diluted share	$0.72	$0.63	14%	-	$(0.27)

(In millions, except per share amounts)	39 weeks ended September 26, 2015	39 weeks ended September 27, 2014	Change	Change excluding the impact of foreign exchange	Foreign exchange impact
Net sales	$1,691.7	$1,926.2	(12)%	5%	$(312.7)
Gross margin as percent of sales	67.3%	65.9%	1.4 pp	na	na
DS&A as percent of sales	53.9%	52.7%	1.2 pp	na	na
Operating income	$221.9	$248.9	(11)%	23%	$(68.1)
Net income	$127.7	$132.1	(3)%	58%	$(51.6)
Net income per diluted share	$2.54	$2.59	(2)%	61%	$(1.01)

na not applicable
pp percentage points
- increase is greater than 100%

Reported sales decreased 11 percent in the third quarter of 2015. Excluding the impact of changes in foreign currency exchange rates, sales increased 7 percent. The Company defines established market economies as those in Western Europe (including Scandinavia), Australia, Canada, Japan, New Zealand, and the United States. All other countries are classified as having emerging market economies. The Company's businesses operating in emerging market economies achieved strong growth in the quarter with an 11 percent sales increase in local currency, most significantly in Asia, Europe and South America. Local currency sales in the Company's businesses that operate in established economy markets, as a group, were even compared with 2014.

Operating and net income increased 11 percent and 12 percent, respectively, in the third quarter of 2015. Excluding the impacts of changes in foreign currency exchange rates, operating and net income increased significantly in the third quarter of 2015, primarily reflecting increased segment profit in each of the Company's five reporting segments, most significantly in South America, including $4.5 million lower expenses related to inventory and net monetary assets in connection with the devaluation of the currency exchange rate in Venezuela. In addition, the Company had a $2.0 million gain from the sale of land and a lower tax rate compared with 2014. These increases in operating and net income were partially offset by higher unallocated corporate costs.

Reported sales for the year-to-date period decreased 12 percent compared with the same period of 2014. Excluding the impact of changes in foreign currency exchange rates, sales increased 5 percent. The factors impacting the year-to-date sales comparison were similar to those impacting the third quarter comparison, except that the local currency sales from businesses operating in established markets decreased 3 percent compared with 2014.

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Operating income and net income decreased 11 percent and 3 percent, respectively, in the year-to-date comparisons with 2014. Excluding the impact of changes in foreign currency exchange rates, operating income and net income increased significantly in the year-to-date period, primarily reflecting $29.1 million lower expenses related to inventory and net monetary assets in connection with the devaluation of the currency exchange rate in Venezuela, pretax gains from land transactions that were $11.1 million higher in 2015, increased segment profit in each of the reporting segments, except Europe which was even with 2014, and a lower effective tax rate. These increases were partially offset by a $13.5 million impairment of long-term fixed assets in Venezuela during the first quarter of 2015 and higher unallocated corporate costs.

The Company's net working capital position increased by $13.7 million compared with the end of 2014. Excluding the $20.3 million impact due to changes in foreign currency exchanges rates, working capital increased $34 million, primarily reflecting a $51.7 million decrease in accounts payable and accrued liabilities due to the timing of payments around year-end, a $21.0 million increase in inventory, related to expectations for future sales by certain units and, in some cases, a lower than expected sell through, as well as a $9.8 million increase in accounts receivable due to the level and timing of sales around the end of each period. These local currency increases were partially offset by a $50.9 million increase in short-term borrowings (net of cash and cash equivalents).

Net cash provided by operating activities for the periods ended September 26, 2015 and September 27, 2014 was $72.2 million and $89.1 million, respectively. The unfavorable comparison primarily reflected an increase in cash outflows related to installment payments for income taxes payable and hedging activities, as well as a decrease in cash elements of net income as the result of weaker foreign currency exchange rates in relation to the U.S. dollar. The net impact of these items was partially offset by a reduction in outflows of cash related to other net working capital items, particularly in inventory and non-trade receivables due to the timing of cash receipts related to value added taxes.

Net Sales

Reported sales decreased 11 percent in the third quarter of 2015. Excluding the impact of changes in foreign currency exchange rates, sales increased 7 percent.

The Company's emerging market units accounted for 70 percent of the Company's reported sales in each of the third quarters of 2015 and 2014. Reported sales in these markets decreased $46.7 million, or 11 percent, which included a negative $81.5 million impact from weaker foreign currency exchange rates. The strong increase in local currency sales in the Company's emerging market units was primarily in Brazil, due to a significant increase in sales force size and productivity, China, due to significant growth in the number of experience studios and higher productivity in the sites in residential areas, Indonesia, reflecting the benefit of new product launches, attractive promotional incentives and better onboarding of new sales force members, along with lapping independent distributor de-stocking in the prior year, and South Africa from significantly increased sales force activity, in part, reflecting the impact in the prior year of a transportation strike. Also contributing to the increase was inflation related pricing in Argentina and the benefit of larger, more active sales forces in Tupperware Mexico and the Company's businesses in the Middle East and North Africa. The sales growth in these units was partially offset by a decrease in Malaysia/Singapore reflecting a decrease in sales force activity, despite a larger sales force size in light of strong additions of new sellers. The average impact of higher prices in the emerging market units was 4 percent.

Reported sales in the established market units decreased $21.0 million, or 12 percent. Excluding the impacts of changes in foreign currency exchange rates, sales in these markets were even compared with the third quarter of 2014. Among these units, the most significant local currency increase was in the United States and Canada business, reflecting a larger sales force from strong additions. The most significant sales decrease was in BeautiControl due to a smaller, less productive sales force, in part reflecting the impact of a revised sales force compensation plan launched at the beginning of the second quarter. The average price increase in the established market units was 2 percent.

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On a year-to-date basis, emerging markets accounted for 68 percent and 66 percent of the Company's total reported sales in 2015 and 2014, respectively. Total sales on a reported basis in the emerging markets decreased $135.1 million, including a negative $228.1 million impact from changes in foreign currency exchange rates. Excluding the impact of changes in foreign currency exchange rates, sales increased in these markets by 9 percent. Total sales for the established markets decreased $99.5 million, or 15 percent, for the year-to-date period of 2015, compared with the same period of 2014, which included a negative $84.6 million impact from changes in foreign currency exchange rates. The sources of the year-to-date fluctuations largely followed those of the third quarter comparison, along with lower year-to-date sales in France and Italy. In addition, local currency sales in Indonesia were even on a year-to-date basis.

A more detailed discussion of the sales results by reporting segment is included in the segment results section below.

As discussed in Note 3 to the Consolidated Financial Statements, the Company includes promotional costs in delivery, sales and administrative expense (DS&A). As a result, the Company's net sales may not be comparable with other companies that treat these costs as a reduction of revenue.

Gross Margin

Gross margin as a percentage of sales was 66.9 percent and 64.5 percent in the third quarters of 2015 and 2014, respectively. The improvement of 2.4 percentage points ("pp") primarily reflected the benefit of a smaller impact of inventory in Venezuela being included in cost of goods sold in 2015 at its stronger, historical exchange rate rather than the rate used to translate its sales in the quarter (1.6 pp), translation impact of changes in foreign currency exchange rates, mainly in South America (0.4 pp), benefit of pricing ahead of inflation in South America (0.4 pp), lower resin costs (0.3 pp) and more favorable pricing mix (0.2 pp). These increases were partially offset by higher manufacturing costs, mainly in Europe (0.4 pp) and increased inventory obsolescence costs in Beauty North America (0.2 pp).

For the year-to-date periods, gross margin as a percentage of sales was 67.3 percent in 2015, compared with 65.9 percent for the same period of 2014. The factors leading to the 1.4 percentage point increase largely mirrored those of the third quarter, except there was a meaningful unfavorable mix impact from relatively higher sales in certain units with lower than average gross margins, primarily in South America (0.4 pp).

As discussed in Note 2 to the Consolidated Financial Statements, the Company includes costs related to the distribution of its products in DS&A. As a result, the Company's gross margin may not be comparable with other companies that include these costs in costs of products sold.

Costs and Expenses

DS&A as a percentage of sales was 55.4 percent in the third quarter of 2015, compared with 54.6 percent in 2014, primarily reflecting the translation effect of changes in foreign currency exchange rates, particularly the impact of overall dollar denominated costs as a ratio of sales in light of weaker foreign exchange rates (1.7 pp). These were partially offset by lower warehousing costs in Brazil (0.4 pp), lower marketing costs in Asia (0.4 pp), lower promotion costs in Europe and Beauty North America (0.3 pp) and commission expense due to the mix of sales performances in units that pay commissions versus those that do not (0.2 pp).

For the year-to-date periods, DS&A as a percentage of sales increased to 53.9 percent from 52.7 percent in 2014. The increase primarily reflected the same currency translation effect as in the quarter comparison (1.7 pp), partially offset by lower commissions (0.2 pp) and operational efficiencies in marketing and promotions (0.2 pp).

Specific segment impacts are discussed in the segment results section.

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Re-engineering Costs

Refer to Note 7 to the Consolidated Financial Statements for a discussion of re-engineering activities and related accruals.

The Company recorded $0.3 million and $2.6 million in re-engineering charges during the third quarters of 2015 and 2014, respectively, and $4.5 million and $8.3 million for the respective year-to-date periods. In both years, these charges were primarily related to severance costs incurred for headcount reductions in several of the Company's operations in connection with changes in its management and organizational structures, and in 2014, the decision to cease operating the Armand Dupree business in the United States, the Nutrimetics business in Thailand and a manufacturing plant in India.

For the remainder of 2015, the Company expects to incur approximately $3 million of such costs.

Fixed Asset Impairment

In February 2015, the Venezuelan government launched an overhaul of its foreign currency exchange structure, eliminating the SICAD 2 mechanism that the Company had referenced for translating and measuring its financial statements, replacing it with a new exchange mechanism called Simadi. During the first quarter of 2015, Simadi published a rate that was approximately 75 percent lower than the final SICAD 2 rate, which was expected to, and subsequently has, severely reduced the unit's sales and profit. As a result, the Company deemed this change to be a triggering event to evaluate the $15.7 million of long-term fixed assets in Venezuela at that time, which had continued to be included on the balance sheet at the historical rates in effect when the assets were purchased. As a result of this evaluation, the Company recorded an impairment charge of $13.5 million to reduce the carrying value of its long-term fixed assets in Venezuela in the first quarter of 2015.

See Note 7 to the Consolidated Financial Statements for further details regarding the circumstances leading to the triggering event and the impairment conclusion.

A more detailed description of the changes in the Venezuelan exchange mechanisms and the resulting impacts on the Company is provided below in the discussion of the South America segment.

Goodwill and Indefinite-lived Intangible Assets

In the third quarter of 2015, the Company completed the annual assessments for all of its reporting units and indefinite-lived intangible assets, concluding there were no impairments. The Company only considers the goodwill balances of $89.8 million and $23.8 million associated with the Fuller Mexico and NaturCare reporting units, respectively, to be significant relative to total equity as of the end of the third quarter 2015.

The Company completed a step 1 analysis related to Fuller Mexico, for which the significant assumptions included annual revenue changes ranging from negative 2 percent to positive 5 percent with an average growth rate of 3 percent, including a 3 percent growth rate used in calculating the terminal value. The discount rate used in Fuller Mexico was 14.6 percent. As the current forecast results of Fuller Mexico were below the expectations used in completing the step 1 analysis done in 2014, the amount by which the estimated fair value of the Fuller Mexico reporting unit exceeded its carrying value, at 13 percent, was smaller in the third quarter of 2015 than in the 2014 assessment. This decrease reflected lower than expected additions of sales force members in light of high field manager turnover. Along with a difficult competitive environment, this led to worse 2015 operating performance than foreseen in 2014. Field managers are those directly responsible for recruiting, motivating and training sales force members. Local currency sales and operating profit have been declining since 2011 at which time the fair value of Fuller Mexico exceeded the carrying value by 77 percent. Since 2011, local currency sales declined 9 percent in 2012, 7 percent in 2013 and 3 percent in 2014. Continuing this trend of sequential improvements, local currency sales have declined 1 percent in the 2015 year-to-date period. Over this same time period, operating profit as a percentage of sales declined from 15 percent in 2012 to 11 percent in 2015 to date. This operating performance has led to decreases in the fair value over time, but have been offset by lower discount rates and a lower entity carrying value from amortization of the definite lived Fuller tradename asset that began in the third quarter of 2013, as well as a net asset position that has, over time, been reduced in light of the smaller scope of the business. Fuller Mexico has attained a year-over-year sales force size advantage of 1 percent as of the end of September, despite less new seller additions, reflecting new programs aimed at higher rates of retention. These programs are also creating a

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pipeline to identify strong candidates who can be trained and motivated for promotion to field manager, a critical component of growth going forward. As a result of these factors, the fair value still exceeded the carrying value as of the end of the third quarter of 2015. Despite these positive performance indicators in the business and the amount by which the estimated fair value of the reporting unit exceeded its carrying value, a smaller sales force size, reversal of retention rates, operating performance significantly below current expectations, including changes in projected future revenue, profitability and cash flow, as well as higher working capital, interest rates or cost of capital, could have a further negative effect on the fair value of the reporting unit and therefore reduce the fair value below the carrying value. This could result in recording an impairment to the goodwill of Fuller Mexico, including prior to the 2016 annual assessment.

A step 1 analysis was also performed for NaturCare, which had significant assumptions including annual revenue changes ranging from 3 percent to 5 percent with an average growth rate of 4 percent, including a 3 percent growth rate used in calculating the terminal value. The discount rate used in NaturCare was 10 percent. The estimated fair value of the NaturCare reporting unit exceeded the carrying value by 130 percent. Based on the Company's evaluation of the assumptions and sensitivities associated with the step 1 analysis for NaturCare, the Company concluded that the fair value substantially exceeded its carrying value as of the end of the third quarter of 2015.

Other than for the Fuller Mexico reporting unit, management has concluded there is no significant foreseeable risk of failing a future step 1 impairment test, nor is there significant foreseeable risk of the fair value of the indefinite-lived intangible assets falling below their respective carrying values. Given the sensitivity of fair value valuations to changes in cash flow or market multiples, the Company may be required to recognize an impairment of goodwill or indefinite-lived intangible assets in the future due to changes in market conditions or other factors related to the Company’s performance. Actual results below forecasted results or a decrease in the forecasted future results of the Company’s business plans or changes in discount rates could also result in an impairment charge, as could changes in market characteristics including declines in valuation multiples of comparable publicly-traded companies. Further impairment charges would have an adverse impact on the Company’s net income and shareholders' equity.

Net Interest Expense

Net interest expense was $10.8 million in the third quarter of 2015, compared with $11.1 million in 2014. In the year-to-date periods, net interest expense was $35.1 million in 2015, compared with $33.9 million in 2014. The changes in interest expense in each of the year-over-year comparisons were primarily due to relative changes in forward points related to the Company's cash flow hedges.

Tax Rate

The effective tax rates for the third quarter and year-to-date periods of 2015 were 28.5 percent and 28.4 percent compared with 32.5 percent and 30.0 percent, respectively, for the comparable 2014 periods. The higher 2014 rates were due to higher 2014 losses incurred related to the devaluation of the Venezuelan bolivar for which no tax benefit could be recognized. In addition, the Company reduced its accrual for uncertain tax positions by $1.0 million due to the expiration of statutes of limitation in various jurisdictions in the third quarter of 2015, of which $0.2 million did not impact tax expense. The effective tax rates are below the U.S. statutory rate primarily due to lower foreign effective tax rates.

As discussed in Note 14 to the Consolidated Financial Statements, the Company's uncertain tax positions increase the potential for volatility in its tax rate. As such, it is reasonably possible that the effective tax rates in any individual quarter will vary from the full year expectation. At this time, the Company is unable to estimate what impact that may have on any individual quarter.

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Net Income

Reported net income in the third quarter of 2015 increased $3.9 million compared with 2014. Compared with 2014, net income was negatively impacted by $14.0 million from changes in foreign currency exchange rates. Excluding the impact of changes in foreign currency exchange rates, net income increased in the third quarter of 2015, primarily in South America, reflecting an improved gross margin and supply chain costs in Brazil, and $4.5 million in lower expenses related to inventory and net monetary assets in connection with the devaluation of the currency exchange rate in Venezuela, as well as in Asia due to the contribution margin on higher sales in China and Indonesia. Higher sales in Europe and Tupperware North America also contributed to the net income increase, while Beauty North America, despite lower sales, benefited from value chain improvements in BeautiControl that were launched in the second quarter of 2015. In addition, the Company had a $2.0 million gain from the sale of land near the Company's Orlando headquarters and a lower tax rate compared with 2014, partially offset by higher unallocated corporate costs.

Reported net income for the year-to-date period of 2015 decreased $4.4 million compared with the same period of 2014, including a negative $51.6 million translation impact from changes in foreign currency exchange rates, as well as currency devaluations in Venezuela in 2014 and the first half of 2015. The factors impacting the year-to-date increase in local currency net income were largely similar to those impacting the third quarter comparisons, except for Europe which was relatively even on a year-to-date basis, as well as $29.1 million in lower expenses related to inventory and net monetary assets in connection with the devaluation of the currency exchange rate in Venezuela, pretax gains from land transactions that were $11.1 million higher in 2015 and a lower effective tax rate. The increases in year-to-date net income were partially offset by a $13.5 million impairment of the long-term fixed assets in Venezuela during the first quarter of 2015 and higher unallocated corporate costs. The higher expense for items on the balance sheet in Venezuela at times of currency devaluations was $13.1 million and $42.2 million, respectively, in the year-to-date periods of 2015 and 2014.

International operations generated 91 percent of sales in the each of the third quarter and year-to-date periods of 2015, compared with 92 percent of sales in each of the respective periods in 2014. In the third quarter and year-to-date periods of 2015 and 2014, International operations, as a group, generated 100 percent of the Company's net segment profit.

The sale of beauty products generated 19 percent of sales in each of the third quarter and year-to-date periods of 2015, and 21 percent and 20 percent for the respective 2014 periods.

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Segment Results
Europe

(In millions)	13 weeks ended Sep 26, 2015	Sep 27, 2014	Change	Change excluding the impact of foreign exchange	Foreign exchange impact	Percent of total 2015	2014
Net sales	$117.4	$136.7	(14)%	4%	$(24.1)	23	23
Segment profit	5.9	6.3	(8)	22	(1.5)	7	9
Segment profit as percent of sales	5.0%	4.6%	0.4 pp	na	na	na	na

(In millions)	39 weeks ended Sep 26, 2015	Sep 27, 2014	Change	Change excluding the impact of foreign exchange	Foreign exchange impact	Percent of total 2015	2014
Net sales	$445.2	$536.3	(17)%	1%	$(95.4)	26	28
Segment profit	61.6	74.5	(17)	—	(13.1)	23	28
Segment profit as percent of sales	13.8%	13.9%	(0.1) pp	na	na	na	na

na not applicable
pp percentage points

Reported sales decreased 14 percent compared with the third quarter of 2014. Excluding the impact of changes in foreign currency exchange rates, sales increased 4 percent. The increased sales reflected a 3 percent increase in volume and an average price increase of 1 percent, compared with the third quarter of 2014.

Emerging markets accounted for $49.9 million and $53.2 million, or 43 and 39 percent, of the reported sales in the segment in the third quarters of 2015 and 2014, respectively. On a local currency basis, the emerging market units' sales increased by 20 percent, primarily reflecting a significant increase in Tupperware South Africa due to significantly increased sales force activity, in part, reflecting the impact in the prior year of a transportation strike that occurred, as well as a larger, more active sales force in the Middle East and North Africa from strong sales force additions. As well, Avroy Shlain, the Company's beauty business in South Africa, had a significant increase in sales due to strong sales force additions that increased the sales force size and consequently the volume of products sold. These were partially offset by decreased sales in Turkey from lower productivity.

The established market units' reported sales decreased by 5 percent on a local currency basis, reflecting a decrease in volume due to a less active sales force in France, as a result of the lingering impacts on recruiting and party scheduling from the terrorist attacks in January, and in Germany, reflecting lower sales force activation following the summer holiday period. Italy also had lower sales, reflecting lower sales force activity and productivity.

Reported segment profit decreased $0.4 million, or 8 percent, in the third quarter of 2015 versus 2014, and excluding the impact of foreign currency, was 22 percent higher. The increase was primarily due to the contribution margin on higher sales in the Middle East and North Africa and Tupperware South Africa, as well as more efficient promotional spending in the segment taken as a whole, partially offset by increased operating costs in France and Turkey, as well as incremental marketing costs.

On a year-to-date basis, reported sales and segment profit both decreased 17 percent compared with 2014. Excluding the impact of changes in foreign currency exchange rates, sales in 2015 increased 1 percent, while segment profit was even compared with 2014. The units and factors impacting the year-to-date sales and net income comparisons were largely the same as those impacting the quarterly comparison except that sales in Germany were even, while profit increased on a year-to-date basis.

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The euro, Russian ruble, South African rand and Turkish lira were the main currencies that impacted the year-over-year sales comparisons, while the euro, South African rand and Turkish lira were those that significantly impacted the profit comparisons.

The Company's business in Egypt has performed well, generating meaningful sales and profit increases and generating cash in Egyptian pounds. Product for this business is sourced primarily from the Company's manufacturing facilities in Europe, and due to the imposition of stricter currency controls in 2015, the intercompany amount owed by the Egyptian business for the product and related costs totaled $9.8 million as of September 26, 2015, notwithstanding that the Egyptian subsidiary held $5.8 million worth of Egyptian pounds at that date. In the next 12 months, based on the current size of the business, the Company would expect to generate intercompany billings to Egypt of approximately $8 million to $10 million.

Asia Pacific

	13 weeks ended			Change excluding the impact of foreign exchange	Foreign exchange impact	Percent of total	
(In millions)	Sep 26, 2015	Sep 27, 2014	Change			2015	2014
Net sales	$192.9	$209.6	(8)%	6%	$(27.7)	37	36
Segment profit	43.3	45.4	(4)	10	(5.9)	56	63
Segment profit as percent of sales	22.4%	21.7%	0.7pp	na	na	na	na

	39 weeks ended			Change excluding the impact of foreign exchange	Foreign exchange impact	Percent of total	
(In millions)	Sep 26, 2015	Sep 27, 2014	Change			2015	2014
Net sales	$578.3	$619.7	(7)%	3%	$(58.3)	34	32
Segment profit	123.8	132.8	(7)	2	(11.8)	47	50
Segment profit as percent of sales	21.4%	21.4%	—pp	na	na	na	na

na not applicable
pp percentage points

Reported sales decreased 8 percent, compared with the third quarter of 2014. Excluding the impact of foreign currency exchange rates, sales increased 6 percent. The sales increase was due to increased volume, while prices, on average, were even compared with the prior year.

Emerging markets accounted for $163.0 million and $173.3 million, or 85 and 83 percent, of the reported sales in the segment in the third quarters of 2015 and 2014, respectively. Compared with 2014, sales in emerging markets in 2015 were negatively impacted by $20.9 million from changes in foreign currency rates. Excluding the impact of changes in foreign currency rates, sales in these units increased 7 percent. The most significant contributions to the increase were in China, where the Company operates retail experience studios through independent distributors, and Indonesia, the Company's largest business unit. The increase in China primarily related to significant growth in the number of experience studios due to a positive response to new distributor and studio incentive programs, along with higher productivity in the studios located in more residential areas. The increase in Indonesia reflected the benefit of new product launches, attractive promotional incentives and better onboarding of new sales force members, along with lapping independent distributor de-stocking in the prior year. The sales growth in these units was partially offset by a decrease in Malaysia/Singapore reflecting a decrease in sales force activity, despite a larger sales force size in light of strong additions of new sellers.

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Reported sales in the established markets decreased 17 percent compared with the third quarter of 2014, including a $6.8 million impact of changes in foreign currency exchange rates. Excluding the impact of changes in foreign currency exchange rates, sales increased 2 percent compared with 2014, primarily in Nutrimetics Australia/New Zealand due to a larger sales force from strong additions.
Total segment profit decreased 4 percent compared with the third quarter of 2014. Excluding the impact of changes in foreign currency exchange rates, segment profit increased 10 percent, primarily due to the contribution margin on higher sales in China and Indonesia, including reduced brand building activities in Indonesia, partially offset by the lower sales with a lower gross margin in Malaysia/Singapore.
The year-to-date sales and segment profit variances largely mirrored those of the quarter, except that sales in Indonesia were even compared with 2014 with a slight increase in segment profit.
The Australian dollar, Indonesian rupiah and Malaysian ringgit were the main currencies that led to the negative foreign currency impact on the year-over-year sales comparisons, while only the Indonesian rupiah and Malaysian ringgit significantly impacted the profit comparisons.
Tupperware North America

	13 weeks ended				Change excluding the impact of foreign exchange	Foreign exchange impact	Percent of total	
(In millions)	Sep 26, 2015	Sep 27, 2014	Change				2015	2014
Net sales	$84.9	$84.6	—	%				