

SEALED AIR CORP/DE  
Form 10-Q  
May 10, 2012  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2012

Or

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
Commission File Number: 1-12139

**SEALED AIR CORPORATION**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of incorporation or organization)

**65-0654331**

(I.R.S. Employer Identification Number)

**200 Riverfront Boulevard**

**Elmwood Park, New Jersey**

(Address of principal executive offices)

**07407-1033**

(Zip Code)

Registrant's telephone number, including area code:

**(201) 791-7600**

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

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

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

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

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

There were 194,097,465 shares of the registrant's common stock, par value \$0.10 per share, issued and outstanding as of April 30, 2012.

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**SEALED AIR CORPORATION AND SUBSIDIARIES**

**FORM 10-Q**

**FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2012**

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**Table of Contents****PART I. FINANCIAL INFORMATION****Item 1. Financial Statements.****SEALED AIR CORPORATION AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS****(Unaudited)****(In millions, except per share amounts)**

	<b>Three Months Ended March 31,</b>	
	<b>2012</b>	<b>2011</b>
Net sales:		
Food Packaging	\$ 488.2	\$ 474.9
Food Solutions	238.2	228.8
Protective Packaging	345.6	335.1
Diversey	750.9	
Other	94.6	89.7
Total net sales	1,917.5	1,128.5
Cost of sales	1,267.8	819.5
Gross profit	649.7	309.0
Marketing, administrative and development expenses	478.1	183.5
Amortization expense of intangible assets acquired	34.2	2.5
Costs related to the acquisition of Diversey	1.8	
Restructuring and other charges	48.1	
Operating profit	87.5	123.0
Interest expense	(97.8)	(37.0)
Foreign currency exchange losses related to Venezuelan subsidiary		(0.2)
Other expense, net	(4.1)	(3.9)
(Loss) earnings before income tax provision	(14.4)	81.9
Income tax (benefit) provision	(8.4)	22.2
Net (loss) earnings available to common stockholders	\$ (6.0)	\$ 59.7
Net (loss) earnings per common share:		
Basic	\$ (0.03)	\$ 0.37
Diluted	\$ (0.03)	\$ 0.34
Dividends per common share	\$ 0.13	\$ 0.13
Weighted average number of common shares outstanding:		
Basic	191.9	158.7
Diluted	191.9	176.9

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See accompanying Notes to Condensed Consolidated Financial Statements.

**Table of Contents****SEALED AIR CORPORATION AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME****(Unaudited)****(In millions)**

	<b>Three Months Ended March 31,</b>	
	<b>2012</b>	<b>2011</b>
Net (loss) earnings available to common stockholders	\$ (6.0)	\$ 59.7
Other comprehensive income, net of taxes:		
Recognition of deferred pension items, net of taxes of \$1.5 in 2012 and \$0.3 in 2011	0.2	1.1
Unrealized losses on derivative instruments, net of taxes of \$0.1 in 2012 and \$0.1 in 2011	(0.2)	(0.2)
Foreign currency translation adjustments	107.8	59.0
Comprehensive income, net of taxes	\$ 101.8	\$ 119.6

See accompanying Notes to Condensed Consolidated Financial Statements.

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**SEALED AIR CORPORATION AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**

(In millions, except share data)

	March 31, 2012 (Unaudited)	December 31, 2011
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 538.2	\$ 722.8
Receivables, net of allowance for doubtful accounts of \$18.6 in 2012 and \$16.3 in 2011	1,330.6	1,385.8
Inventories	891.0	798.1
Deferred tax assets	153.0	165.5
Prepaid expenses and other current assets	97.8	125.6
<b>Total current assets</b>	<b>3,010.6</b>	<b>3,197.8</b>
Property and equipment, net	1,329.8	1,322.1
Goodwill	4,273.4	4,220.5
Intangible assets, net	2,102.9	2,103.2
Non-current deferred tax assets	134.6	129.3
Other assets, net	469.7	459.0
<b>Total assets</b>	<b>\$ 11,321.0</b>	<b>\$ 11,431.9</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Short-term borrowings	\$ 34.5	\$ 34.5
Current portion of long-term debt	1.6	1.9
Accounts payable	621.5	619.0
Deferred tax liabilities	18.4	16.0
Settlement agreement and related accrued interest	842.6	831.2
Accrued restructuring costs	46.8	37.1
Other current liabilities	668.9	843.8
<b>Total current liabilities</b>	<b>2,234.3</b>	<b>2,383.5</b>
Long-term debt, less current portion	4,988.0	5,010.9
Non-current deferred tax liabilities	443.3	467.2
Other liabilities	613.3	617.9
<b>Total liabilities</b>	<b>8,278.9</b>	<b>8,479.5</b>
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$0.10 par value per share, 50,000,000 shares authorized; no shares issued in 2012 and 2011		
Common stock, \$0.10 par value per share, 400,000,000 shares authorized; shares issued: 204,085,552 in 2012 and 202,528,616 in 2011; shares outstanding: 194,052,185 in 2012 and 192,062,185 in 2011	20.5	20.3
Common stock reserved for issuance related to Settlement agreement, \$0.10 par value per share, 18,000,000 shares in 2012 and 2011	1.8	1.8
Additional paid-in capital	1,680.5	1,689.6
Retained earnings	1,735.2	1,766.5
Common stock in treasury, 10,033,367 in 2012 and 10,466,431 in 2011	(352.8)	(375.6)
Accumulated other comprehensive loss, net of taxes:		
Unrecognized pension items	(43.0)	(43.2)



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Cumulative translation adjustment	3.8	(104.0)
Unrealized gain on derivative instruments	1.9	2.1
<b>Total accumulated other comprehensive loss, net of taxes</b>	<b>(37.3)</b>	<b>(145.1)</b>
Total parent company stockholders' equity	3,047.9	2,957.5
Noncontrolling interests	(5.8)	(5.1)
Total stockholders' equity	3,042.1	2,952.4
<b>Total liabilities and stockholders' equity</b>	<b>\$ 11,321.0</b>	<b>\$ 11,431.9</b>

See accompanying Notes to Condensed Consolidated Financial Statements.

**Table of Contents****SEALED AIR CORPORATION AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****(Unaudited)****(In millions)**

	<b>Three Months Ended March 31,</b>	
	<b>2012</b>	<b>2011</b>
<b>Cash flows from operating activities:</b>		
Net (loss) earnings available to common stockholders	\$ (6.0)	\$ 59.7
Adjustments to reconcile net (loss) earnings to net cash (used in) provided by operating activities:		
Depreciation and amortization	82.3	36.0
Share-based incentive compensation and profit sharing expense	12.3	10.5
Costs related to the acquisition of Diversey	1.8	
Amortization of senior debt related items and other	3.5	0.2
Provisions for bad debt	1.8	1.6
Provisions for inventory obsolescence	6.2	3.3
Deferred taxes, net	(14.1)	2.5
Excess tax benefit from share-based incentive compensation	(0.8)	(2.6)
Net gain on disposals of property and equipment and other	(0.2)	(0.1)
Changes in operating assets and liabilities:		
Receivables, net	75.8	21.6
Inventories	(83.5)	(51.6)
Other assets, net	(39.4)	(0.9)
Accounts payable	(5.0)	26.5
Other liabilities	(132.0)	(39.5)
<b>Net cash (used in) provided by operating activities</b>	<b>(97.3)</b>	<b>67.2</b>
<b>Cash flows from investing activities:</b>		
Capital expenditures for property and equipment	(29.2)	(19.5)
Proceeds from sales of property and equipment	0.4	0.3
Other investing activities	1.8	0.6
<b>Net cash used in investing activities</b>	<b>(27.0)</b>	<b>(18.6)</b>
<b>Cash flows from financing activities:</b>		
Proceeds from long-term debt	0.1	0.4
Excess tax benefit from share-based incentive compensation	0.8	2.6
Payments of long-term debt	(30.9)	(2.2)
Acquisition of common stock for tax withholding obligations under our 2005 contingent stock plan	(10.0)	(12.0)
Net payments of short-term borrowings		(14.3)
Dividends paid on common stock	(25.2)	(20.8)
Other financing activities		(1.0)
<b>Net cash used in financing activities</b>	<b>(65.2)</b>	<b>(47.3)</b>
Effect of foreign currency exchange rate changes on cash and cash equivalents	4.9	19.1
<b>Cash and cash equivalents:</b>		

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Balance, beginning of period	\$ 722.8	\$ 675.6
Net change during the period	(184.6)	20.4
Balance, end of period	\$ 538.2	\$ 696.0
Supplemental Cash Flow Information:		
Interest payments, net of amounts capitalized	\$ 116.0	\$ 36.1
Income tax payments	\$ 31.2	\$ 25.2
Non-cash items:		
Transfer of shares of our common stock from treasury as part of our 2011 profit-sharing plan contribution	\$ 18.6	\$

See accompanying Notes to Condensed Consolidated Financial Statements.

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**SEALED AIR CORPORATION AND SUBSIDIARIES**

**Notes to Condensed Consolidated Financial Statements**

**(Unaudited)**

**(Amounts in tables are in millions, except per share data)**

**(1) Organization and Basis of Presentation**

***Organization***

We are a global leader in food safety and security, facility hygiene and product protection. We serve an array of end markets including food and beverage processing, food service, retail, health care and industrial, commercial and consumer applications. We have widely recognized and inventive brands such as Bubble Wrap® brand cushioning, Cryovac® brand food packaging solutions and, as a result of our acquisition of Diversey Holdings, Inc. ( Diversey ) on October 3, 2011, Diversey® brand cleaning and hygiene solutions. We offer efficient and sustainable solutions that create business value for customers, enhance the quality of life for consumers and provide a cleaner and healthier environment for future generations.

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

We conduct our operations through the following four business segments: Food Packaging, Food Solutions, Protective Packaging, Diversey and an Other category. See Note 4, Segments, for further details of our segment structure. We conduct substantially all of our business through three wholly-owned subsidiaries, Cryovac, Inc., Sealed Air Corporation (US) and Diversey.

***Basis of Presentation***

Our condensed consolidated financial statements include all of the accounts of the Company and our subsidiaries. We have eliminated all significant intercompany transactions and balances in consolidation. In management's opinion, all adjustments, consisting only of normal recurring accruals, necessary for a fair presentation of our condensed consolidated balance sheet as of March 31, 2012 and our condensed consolidated statements of operations for the three months ended March 31, 2012 and 2011 have been made. The results set forth in our condensed consolidated statements of operations for the three months ended March 31, 2012 and in our condensed consolidated statements of cash flows for the three months ended March 31, 2012 are not necessarily indicative of the results to be expected for the full year. All amounts are in millions, except per share amounts, and approximate due to rounding. Some prior period amounts have been reclassified to conform to the current year presentation. These reclassifications, individually and in the aggregate, had no impact on our consolidated financial condition, results of operations and cash flows.

During the first quarter of 2012, we identified a misclassification in our December 31, 2011 consolidated balance sheet included in our 2011 Annual Report on Form 10-K. This misclassification, which has been corrected on our December 31, 2011 consolidated balance sheet included in this Form 10-Q, decreased our current deferred tax assets and non-current deferred tax liabilities by \$64.8 million, decreasing our current deferred tax assets from \$230.3 million to \$165.5 million and decreasing our non-current deferred tax liabilities from \$532.0 million to \$467.2 million. This misclassification had no impact on our net deferred tax liability balance at December 31, 2011 and it did not impact our consolidated statements of operations or cash flows. Accordingly, we do not consider this correction to be material to our consolidated financial condition.

The condensed consolidated financial statements and information included in this Quarterly Report on Form 10-Q ( Form 10-Q ) include the financial results of Diversey for the period beginning January 1, 2012 through March 31, 2012 and as of December 31, 2011 for the condensed consolidated balance sheet. The financial results included in this Form 10-Q related to the acquisition method accounting for the Diversey transaction are subject to change as the acquisition method accounting is not yet finalized and dependent upon the finalization of management's review of certain independent valuations and studies that are still in process. See Note 3, Acquisition of Diversey Holdings, Inc., for further information about the acquisition.

Our condensed consolidated financial statements were prepared in accordance with the interim reporting requirements of the Securities and Exchange Commission, or the SEC. As permitted under those rules, annual footnotes or other financial information that are normally required by accounting principles generally accepted in the United States of America, or U.S. GAAP, have been condensed or omitted. The preparation of

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condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts and the disclosure of contingent amounts in our condensed consolidated financial statements and accompanying notes. Actual results could differ from these estimates.

We are responsible for the unaudited condensed consolidated financial statements and notes included in this report. As these are condensed financial statements, they should be read in conjunction with the audited consolidated financial statements and notes included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2011 and with the information contained in other publicly-available filings with the SEC.

### **(2) Recently Issued Accounting Standards**

Unless necessary to clarify a point to readers, we will refrain from citing specific topic and section references when addressing new or pending accounting standard changes or discussing application of U.S. GAAP in this Form 10-Q.

#### *Adopted in 2012*

In May 2011, the Financial Accounting Standards Board ( FASB ) issued Accounting Standards Update ( ASU ) No. 2011-04. The amendments in this ASU generally represent clarifications of fair value measurement, but also include some instances where a particular principle or requirement for measuring fair value or disclosing information about fair value measurements has changed. This ASU results in common principles and requirements for measuring fair value and for disclosing information about fair value measurements. On January 1, 2012, we adopted these amendments on a prospective basis and there was no impact on our consolidated financial condition or results of operations.

In June 2011, the FASB issued authoritative guidance on the presentation of comprehensive income that became effective for us beginning January 1, 2012. This standard eliminates the current option to report other comprehensive income and its components in the statement of changes in equity. The adoption of this guidance did not impact our consolidated financial condition and results of operations.

In September 2011, the FASB issued authoritative guidance on testing goodwill for impairment that became effective for us beginning January 1, 2012. The revised standard is intended to reduce the cost and complexity of the annual goodwill impairment test by providing entities an option to perform a qualitative assessment to determine whether further impairment testing is necessary. The adoption of this guidance did not impact our consolidated financial condition or results of operations.

### **(3) Acquisition of Diversey Holdings, Inc.**

#### **Description of Transaction**

On October 3, 2011, we completed the acquisition of 100% of the outstanding stock of Diversey. We acquired Diversey to position us to capture growth opportunities by developing end-to-end service-based solutions for the food processing and food service industries, to leverage combined research and development investments to develop broader growth initiatives in the food processing and food service industries and to improve access to under-developed markets and increase access to developing regions.

Under the terms of the acquisition agreement, we paid in aggregate \$2.1 billion in cash consideration and an aggregate of approximately 31.7 million shares of Sealed Air common stock to the shareholders of Diversey. We financed the payment of the cash consideration and related fees and expenses through (a) borrowings

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under our new Credit Facility, (b) proceeds from our issuance of the Notes and (c) cash on hand. In connection with the acquisition, we also used our new borrowings and cash on hand to retire \$1.6 billion of existing indebtedness of Diversey. The new Credit Facility and Notes are described further in Note 10, Debt and Credit Facilities.

**Summary Unaudited Pro Forma Financial Information**

The following table presents unaudited supplemental pro forma information as if the acquisition of Diversey had occurred on January 1, 2010 for the period presented below.

	<b>Three Months Ended March 31, 2011</b>	
Net sales	\$	1,892.2
Operating profit	\$	136.3
Net earnings from continuing operations	\$	12.3
Weighted average number of common shares outstanding:		
Basic		190.4
Diluted		208.6
Net earnings per common share:		
Basic	\$	0.06
Diluted	\$	0.06

There were no material non-recurring pro forma adjustments.

**(4) Segments**

The following table shows net sales, depreciation and amortization and operating profit by our segment reporting structure:

	<b>Three Months Ended March 31,</b>	
	<b>2012</b>	<b>2011</b>
Net sales		
Food Packaging	\$ 488.2	\$ 474.9
Food Solutions	238.2	228.8
Protective Packaging	345.6	335.1
Diversey	750.9	
Other	94.6	89.7
Total	\$ 1,917.5	\$ 1,128.5
Depreciation and amortization on property, plant and equipment and intangible assets acquired		
Food Packaging	\$ 21.3	\$ 16.3
Food Solutions	7.9	7.5
Protective Packaging	5.9	7.0
Diversey	42.2	

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Other		5.0	5.2
Total		\$ 82.3	\$ 36.0
Operating profit			
Food Packaging		\$ 59.9	\$ 62.6
Food Solutions		26.5	19.4
Protective Packaging		46.5	40.0
Diversey		0.8	
Other		3.7	1.0
Total segments and other		137.4	123.0
Costs related to the acquisition of Diversey		1.8	
Restructuring and other charges(1)		48.1	
Total		\$ 87.5	\$ 123.0

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

	<b>Three Months Ended March 31, 2012</b>	
Food Packaging	\$	17.5
Food Solutions		3.5
Protective Packaging		3.3
Diversey		20.7
Other		3.1
Total	\$	48.1

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The restructuring and other charges in 2012 primarily relate to the 2011-2014 Integration and Optimization Program. See Note 9, Restructuring Activities.

**Assets by Reportable Segments**

The following table shows assets allocated by our segment reporting structure. Only assets which are identifiable by segment and reviewed by our chief operating decision maker by segment are allocated to the reportable segment assets, which are trade receivables, net, and finished goods inventories, net. All other assets are included in Assets not allocated.

	March 31, 2012	December 31, 2011
Assets:		
Trade receivables, net, and finished goods inventory, net		
Food Packaging	\$ 419.8	\$ 420.4
Food Solutions	199.9	210.1
Protective Packaging	324.6	307.8
Diversey	873.0	842.4
Other	72.7	64.5
Total segments and other	\$ 1,890.0	\$ 1,845.2
Assets not allocated		
Cash and cash equivalents	538.2	722.8
Property and equipment, net	1,329.8	1,322.1
Goodwill	4,273.4	4,220.5
Intangibles, net	2,102.9	2,103.2
Other	1,186.7	1,218.1
Total	\$ 11,321.0	\$ 11,431.9

**Allocation of Goodwill to Reportable Segments**

Our management views goodwill as a corporate asset, so we do not allocate our goodwill balance to the reportable segments. However, we are required to allocate goodwill to each reporting unit to perform our annual impairment review of goodwill, which we do during the fourth quarter of the year. See Note 7, Goodwill and Identifiable Intangible Assets, for the allocation of goodwill and the changes in goodwill balances in the three months ended March 31, 2012 by our reporting unit structure.

**New Segment Structure**

In November 2011, we announced our plans to establish new business units for our segment reporting structure. The new segment reporting structure will consist of three global business units. This new structure is expected to be implemented by the end of 2012 and will replace our existing seven business unit structure and Diversey's legacy four region-based structure.

The new segment reporting structure will include the following:

**Food & Beverage** This new segment combines our legacy Food Packaging and Food Solutions businesses with Diversey's food & beverage applications.

**Institutional & Laundry** This segment will consist of Diversey's building care, laundry and infection control solutions for building service contractors/facility management, retail, food service, hospitality and health care sectors.

**Protective Packaging** This segment will combine our legacy Protective Packaging, Shrink Packaging and Specialty Materials businesses to provide customers with a broad portfolio of protective packaging systems across a range of applications and industries.



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There will also be an Other category, which will include our legacy Medical Applications business and New Ventures.

Until the new organization is implemented, we will continue to report our segment results using our existing segment structure. Additionally, there will be no immediate changes in how we manage our business with our customers, including the products, solutions and services we provide.

**(5) Inventories**

The following table details our inventories and the reduction of certain inventories to a LIFO basis:

	March 31, 2012	December 31, 2011
Inventories (at FIFO, which approximates replacement value):		
Raw materials	\$ 154.7	\$ 154.3
Work in process	140.6	122.8
Finished goods	652.0	574.3
Subtotal (at FIFO)	947.3	851.4
Reduction of certain inventories to LIFO basis	(56.3)	(53.3)
Total	\$ 891.0	\$ 798.1

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We determine the value of our legacy Sealed Air non-equipment U.S. inventories by the last-in, first-out or LIFO inventory method. U.S. inventories determined by the LIFO method were \$130 million at March 31, 2012 and \$121 million at December 31, 2011.

**(6) Property and Equipment, net**

The following table details our property and equipment, net.

	March 31, 2012	December 31, 2011
Land and improvements	\$ 173.3	\$ 167.7
Buildings	708.8	697.2
Machinery and equipment	2,516.0	2,470.9
Other property and equipment	173.6	170.7
Construction-in-progress	107.9	104.4
	3,679.6	3,610.9
Accumulated depreciation and amortization	(2,349.8)	(2,288.8)
Property and equipment, net	\$ 1,329.8	\$ 1,322.1

The following table details our interest cost capitalized and depreciation and amortization expense for property and equipment.

	Three Months Ended March 31,	
	2012	2011
Interest cost capitalized	\$ 1.0	\$ 0.9
Depreciation and amortization expense for property and equipment	48.1	33.5

**(7) Goodwill and Identifiable Intangible Assets****Goodwill**

The following table shows our goodwill balances by our segment reporting structure.

	Carrying Value at December 31, 2011	Purchase Price Adjustments	Impact of Foreign Currency Translation	Carrying Value at March 31, 2012
Food Packaging	\$ 391.7	\$	\$ 0.7	\$ 392.4
Food Solutions	147.9		0.3	148.2
Protective Packaging	1,260.0		2.4	1,262.4
Diversey	2,263.6		50.4	2,314.0
Other category	157.3	(1.2)	0.3	156.4
Total	\$ 4,220.5	\$ (1.2)	\$ 54.1	\$ 4,273.4

We test goodwill for impairment on a reporting unit basis annually during the fourth quarter of each year and at other times if events or circumstances exist that indicate the carrying value of goodwill may no longer be recoverable. During the three months ended March 31, 2012, we determined that there were no events or changes in circumstances that had occurred that would indicate that the fair value of any of our

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reporting units may be below its carrying value.

### *Identifiable Intangible Assets*

The following tables summarize our identifiable intangible assets with definite and indefinite useful lives.

	March 31, 2012			December 31, 2011		
	Gross Carrying Value	Accumulated Amortization	Net	Gross Carrying Value	Accumulated Amortization	Net
Customer Relationships	\$ 1,048.6	\$ (55.7)	\$ 992.9	\$ 1,028.7	\$ (37.9)	\$ 990.8
Trademarks and tradenames	884.1	(0.5)	883.6	882.3	(0.8)	881.5
Technology	235.7	(43.8)	191.9	230.2	(33.4)	196.8
Contracts	42.8	(8.3)	34.5	40.2	(6.1)	34.1
<b>Total</b>	<b>\$ 2,211.2</b>	<b>\$ (108.3)</b>	<b>\$ 2,102.9</b>	<b>\$ 2,181.4</b>	<b>\$ (78.2)</b>	<b>\$ 2,103.2</b>

These intangible assets include \$911 million of intangible assets that we have determined to have indefinite useful lives, which primarily includes intangible assets acquired in connection with the acquisition of Diversy.

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Below is the amortization expense of our intangible assets.

	<b>Three Months Ended March 31,</b>	
	<b>2012</b>	<b>2011</b>
Amortization expense of intangible assets acquired	\$ 34.2	\$ 2.5

The following table shows the remaining estimated future amortization expense at March 31, 2012.

2012	\$ 101.5
2013	133.8
2014	132.2
2015	104.3
2016	98.5
2017	97.3
Thereafter	524.0
<b>Total</b>	<b>\$ 1,191.6</b>

**(8) Accounts Receivable Securitization Program**

We and a group of our U.S. subsidiaries maintain an accounts receivable securitization program with a bank and an issuer of commercial paper administered by the bank. As of March 31, 2012, the maximum purchase limit for receivable interests was \$125 million, subject to the availability limits described below.

The amounts available from time to time under the program may be less than \$125 million due to a number of factors, including but not limited to our credit ratings, trade receivable balances, the creditworthiness of our customers and our receivables collection experience. During 2012, the level of eligible assets available under the program was lower than \$125 million primarily due to our current credit ratings. As a result, the amount available to us under the program was \$93 million at March 31, 2012. Although we do not believe that these restrictive provisions presently materially restrict our operations, if an additional event occurs that triggers one of these restrictive provisions, we could experience a further decline in the amounts available to us under the program or termination of the program.

As of March 31, 2012 and December 31, 2011, we had no amounts outstanding under this program, and we did not utilize this program during 2012.

The program is scheduled to expire in December 2012. We intend to extend the receivables program prior to the expiration date.

Under limited circumstances, the bank and the issuer of commercial paper can end purchases of receivables interests before the above dates. A failure to comply with interest coverage, debt leverage or various other ratios related to our receivables collection experience could result in termination of the receivables program. We were in compliance with these ratios at March 31, 2012 and December 31, 2011.

Any transfers of ownership interests in receivables under this program are considered secured borrowings and will be recorded as liabilities on our condensed consolidated balance sheets. Program fees on any outstanding borrowings under this program are included in interest expense, and the costs related to commitment fees on the unused portion of this program are included in other expense, net, on our condensed consolidated statements of operations.

**(9) Restructuring Activities*****2011-2014 Integration and Optimization Program***

In December, 2011, we initiated a restructuring program associated with the integration of Diversey's business following our acquisition of Diversey on October 3, 2011. The program primarily consists of (i) reduction in headcount, (ii) consolidation of facilities, and (iii) consolidation and streamlining of certain customer and vendor contracts and relationships. This program is expected to be completed by the end of 2014.

The associated costs and related restructuring charges for this program in the three months ended March 31, 2012 are included in the table below.

	<b>Three Months Ended March 31, 2012</b>	<b>Cumulative as of March 31, 2012</b>
Associated costs	\$ 5.8	\$ 5.8
Restructuring charges	47.3	100.2
<b>Total</b>	<b>\$ 53.1</b>	<b>\$ 106.0</b>

The associated costs included in the table above include asset impairments of \$5 million, which were included in cost of sales on the condensed consolidated statements of operations and in our Food Packaging segment. The asset impairments relate to a planned facility closure in the U.S., which is considered an asset held for sale and is included in other current assets on our condensed consolidated balance sheet as of March 31, 2012.

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The restructuring charges included in the table above primarily consisted of termination and benefits costs, including \$7 million of cash-settled stock appreciation rights that were previously issued to Diversey employees as a portion of the total consideration for the acquisition of Diversey. See Note 15, Stockholders' Equity, for further details of these awards. These charges were included in restructuring and other charges on the condensed consolidated statements of operations.

The restructuring accrual, spending and other activity for the three months ended March 31, 2012 and the accrual balance remaining at March 31, 2012 were as follows:

Restructuring accrual at December 31, 2011	\$ 24.3
Additional accrual for termination benefits	46.9
Cash payments during 2012	(26.2)
Effect of changes in foreign currency exchange rates	0.4
<b>Restructuring accrual at March 31, 2012</b>	<b>\$ 45.4</b>

Cumulative cash payments made in connection with this program through March 31, 2012 were \$55 million. We expect to pay \$34 million of the accrual balance remaining at March 31, 2012 within the next twelve months. This amount is included in other current liabilities on the condensed consolidated balance sheet at March 31, 2012. The remaining accrual of \$11 million is expected to be paid after March 31, 2013 and is included in other liabilities on the condensed consolidated balance sheet at March 31, 2012.

*European Principal Company ( EPC )*

In May 2011, before the acquisition of Diversey, Diversey approved, subject to successful works council consultations, plans to reorganize its European operations to function under a centralized management and supply chain model. We completed the reorganization on May 3, 2012 and the EPC, based in the Netherlands, is now centrally managing Diversey's European operations. Diversey's European subsidiaries are executing sales and distribution locally, and local production companies are acting as toll manufacturers on behalf of the EPC.

As part of the planning for this reorganization, in the first quarter of 2012, we recognized associated costs of \$5 million, which are included in marketing, administrative and development expenses in the condensed consolidated statements of operations, and a nominal amount for restructuring charges for termination benefits.

**(10) Debt and Credit Facilities**

Our total debt outstanding consisted of the amounts included in the table below.

	March 31, 2012	December 31, 2011
Short-term borrowings	\$ 34.5	\$ 34.5
Current portion of long-term debt	1.6	1.9
<b>Total current debt</b>	<b>36.1</b>	<b>36.4</b>
5.625% Senior Notes due July 2013, less unamortized discount of \$0.2 in 2012 and \$0.3 in 2011(1)	400.8	401.0
12% Senior Notes due February 2014(1)	155.6	156.3
Term Loan A Facility due October 2016, less unamortized lender fees of \$20.7 in 2012 and \$22.7 in 2011	960.3	989.9
7.875% Senior Notes due June 2017, less unamortized discount of \$6.2 in 2012 and \$6.5 in 2011	393.8	393.5
Term Loan B Facility due October 2018, less unamortized lender fees of \$20.3 in 2012 and \$21.3 in 2011 and unamortized discount of \$25.7 in 2012 and \$26.5 in 2011	1,125.7	1,118.8
8.125% Senior Notes due September 2019	750.0	750.0
8.375% Senior Notes due September 2021	750.0	750.0
6.875% Senior Notes due July 2033, less unamortized discount of \$1.4 in 2012 and 2011	448.6	448.6

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Other	3.2	2.8
Total long-term debt, less current portion	4,988.0	5,010.9
Total debt	\$ 5,024.1	\$ 5,047.3

- (1) Amount includes adjustments due to interest rate swaps. See Interest Rate Swaps, of Note 11, Derivatives and Hedging Activities, for further discussion.



*Credit Facility*

In connection with the funding of the cash consideration for the acquisition and the repayment of existing indebtedness of Diversey and to provide for ongoing liquidity requirements, on October 3, 2011, we entered into a senior secured credit facility (the Credit Facility). The Credit Facility consists of: (a) a multicurrency term loan A facility denominated in U.S. dollars, Canadian dollars, euros and Japanese yen, (Term Loan A Facility), (b) a multicurrency term loan B facility denominated in U.S. dollars and euros (Term Loan B Facility) and (c) a \$700 million revolving credit facility available in U.S. dollars, Canadian dollars, euros and Australian dollars (Revolving Credit Facility).

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

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The U.S. dollar denominated tranche of the Term Loan B Facility was sold to investors at 98% of its principal amount, and the euro-denominated tranche of the Term Loan B Facility was sold to investors at 97% of its principal amount. As a result, we recorded \$28 million of original issuance discounts, which are included in the carrying amount of the Term Loan B Facility. We also recorded \$48 million of lender fees related to the transactions mentioned above. These fees are also included in the carrying amount of the respective debt instruments. In addition, we recorded \$51 million of non-lender fees related to the transactions mentioned above. These fees are included in other assets on our condensed consolidated balance sheet.

The amortization expense of the original issuance discount, and lender and non-lender fees are calculated using the effective interest rate method over the lives of the respective debt instruments. Total amortization expense in the three months ended March 31, 2012 related to the debt instruments above was \$6 million and is included in interest expense on our condensed consolidated statements of operations.

Effective October 3, 2011, we terminated our former global credit facility and European credit facility and replaced them with the Revolving Credit Facility. The Revolving Credit Facility may be used for working capital needs and general corporate purposes, including the payment of the amounts required upon effectiveness of the Settlement agreement. We did not use our former global credit facility or European credit facility in the year ended December 31, 2011. We used our Revolving Credit Facility for a short time period in connection with the acquisition of Diversey in the year ended December 31, 2011. We did not use our Revolving Credit Facility in the three months ended March 31, 2012. Interest paid for the year ended December 31, 2011 under the Revolving Credit Facility was immaterial. There were no amounts outstanding under the Revolving Credit Facility at March 31, 2012 or December 31, 2011.

The Credit Facility provides for customary events of default, including failure to pay principal or interest when due, failure to comply with covenants, the fact that any representation or warranty made by Sealed Air is false in any material respect, certain insolvency or receivership events affecting Sealed Air and its subsidiaries and a change in control of Sealed Air. For certain events of default, the commitments of the lenders will be automatically terminated, and all outstanding obligations of Sealed Air under the Credit Facility may be declared immediately due and payable.

***Lines of Credit***

The following table summarizes our available lines of credit and committed and uncommitted lines of credit, including the Revolving Credit Facility discussed above, and the amounts available under our accounts receivable securitization program. We are not subject to any material compensating balance requirements in connection with our lines of credit.

	<b>March 31, 2012</b>	<b>December 31, 2011</b>
Used lines of credit	\$ 34.5	\$ 34.5
Unused lines of credit	1,021.7	1,028.7
<b>Total available lines of credit</b>	<b>\$ 1,056.2</b>	<b>\$ 1,063.2</b>
Available lines of credit committed	\$ 704.0	\$ 703.9
Available lines of credit uncommitted	352.2	359.3
<b>Total available lines of credit</b>	<b>\$ 1,056.2</b>	<b>\$ 1,063.2</b>
Accounts receivable securitization program committed(1)	\$ 93.0	\$ 92.0

(1) See Note 8, Accounts Receivable Securitization Program, for further details of this program.

***Other Lines of Credit***

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Substantially all our short-term borrowings of \$35 million at March 31, 2012 and December 31, 2011 were outstanding under lines of credit available to several of our foreign subsidiaries. The following table details our other lines of credit.

	<b>March 31, 2012</b>	<b>December 31, 2011</b>
Available lines of credit	\$ 356.2	\$ 363.2
Unused lines of credit	321.7	328.7
Weighted average interest rate	6.2%	2.6%

*Covenants*

Each issue of our outstanding senior notes imposes limitations on our operations and those of specified subsidiaries. The Credit Facility contains customary affirmative and negative covenants for credit facilities of this type, including limitations on our indebtedness, liens, investments, restricted payments, mergers and acquisitions, dispositions of assets, transactions with affiliates, amendment of documents and sale leasebacks, and a covenant to maintain a Consolidated Net Debt to Consolidated EBITDA (as defined in the Credit Facility). We were in compliance with the above financial covenants and limitations at March 31, 2012.

**(11) Derivatives and Hedging Activities**

We report all derivative instruments on our balance sheet at fair value and establish criteria for designation and effectiveness of transactions entered into for hedging purposes.

As a large global organization, we face exposure to market risks, such as fluctuations in foreign currency exchange rates and interest rates. To manage the volatility relating to these exposures, we enter into various derivative instruments from time to time under our risk management policies. We designate derivative instruments as hedges on a transaction basis to support hedge accounting. The changes in fair value of these hedging instruments offset in part or in whole corresponding changes in

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the fair value or cash flows of the underlying exposures being hedged. We assess the initial and ongoing effectiveness of our hedging relationships in accordance with our policy. We do not purchase, hold or sell derivative financial instruments for trading purposes. Our practice is to terminate derivative transactions if the underlying asset or liability matures or is sold or terminated, or if we determine the underlying forecasted transaction is no longer probable of occurring.

***Foreign Currency Forward Contracts Not Designated as Hedges***

Our subsidiaries have foreign currency exchange exposure from buying and selling in currencies other than their functional currencies. The primary purposes of our foreign currency hedging activities are to manage the potential changes in value associated with the amounts receivable or payable on transactions denominated in foreign currencies and to minimize the impact of the changes in foreign currencies related to foreign currency denominated interest-bearing intercompany loans and receivables and payables. The changes in fair value of these derivative contracts are recognized in other expense, net, on our condensed consolidated statements of operations and are largely offset by the remeasurement of the underlying foreign currency denominated items indicated above. These contracts predominantly have original maturities of less than 12 months.

The estimated fair value of these derivative contracts, which represents the estimated net balance that would be paid or that would be received by us in the event of their termination, based on the then current foreign currency exchange rates, was a net current liability of \$0.2 million at March 31, 2012 and a net current asset of \$15 million at December 31, 2011.

***Foreign Currency Forward Contracts Designated as Cash Flow Hedges***

The primary purposes of our cash flow hedging activities are to manage the potential changes in value associated with the amounts receivable or payable on equipment and raw material purchases that are denominated in foreign currencies in order to minimize the impact of the changes in foreign currencies. We record gains and losses on foreign currency forward contracts qualifying as cash flow hedges in other comprehensive income to the extent that these hedges are effective and until we recognize the underlying transactions in net earnings, at which time we recognize these gains and losses in other expense, net, on our condensed consolidated statements of operations.

Net unrealized after tax gains (losses) related to these contracts that were included in other comprehensive income for the three months ended March 31, 2012 and 2011 were immaterial. The unrealized amounts in other comprehensive income will fluctuate based on changes in the fair value of open contracts during each reporting period.

***Interest Rate Swaps***

From time to time, we may use interest rate swaps to manage our mix of fixed and floating interest rates on our outstanding indebtedness.

At March 31, 2012, we had outstanding interest rate swaps related to our 12% Senior Notes that qualified and were designated as fair value hedges.

We recorded a mark-to-market adjustment to record an increase of \$1.9 million at March 31, 2012 in the carrying amount of our 12% Senior Notes due to changes in interest rates and an offsetting increase to other assets at March 31, 2012 to record the fair value of the remaining outstanding interest rate swaps. There was no ineffective portion of the hedges recognized in earnings during the period.

In the fourth quarter of 2011, we terminated or offset interest rate swaps on our 5.625% Senior Notes and our 12% Senior Notes. As a result, we received cash of \$7 million related to these terminations and recognized a reduction of interest expense of \$1 million and an increase of \$6 million in the carrying amount of our 12% Senior Notes and our 5.625% Senior Notes, which is being amortized over the remaining maturities of these notes and included in interest expense on our condensed consolidated statements of operations.

At December 31, 2011, we recorded a mark-to-market adjustment to record an increase of \$2 million in the carrying amount of our 12% Senior Notes due to changes in interest rates and an offsetting increase to other assets at December 31, 2011 to record the fair value of the remaining outstanding interest rate swaps. There was no ineffective portion of the hedges recognized in earnings during the period.

As a result of our interest rate swap agreements, interest expense was reduced by \$0.3 million in the three months ended March 31, 2012 and \$1 million in the three months ended March 31, 2011.

***Other Derivative Instruments***

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We may use other derivative instruments from time to time, such as foreign exchange options to manage exposure to foreign exchange rates and interest rate and currency swaps related to access to international financing transactions. These instruments can potentially limit foreign exchange exposure by swapping borrowings denominated in one currency for borrowings denominated in another currency. At March 31, 2012 and December 31, 2011, we had no foreign exchange options or interest rate and currency swap agreements outstanding.

See Note 12, Fair Value Measurements and Other Financial Instruments, for a discussion of the inputs and valuation techniques used to determine the fair value of our outstanding derivative instruments.

### *Fair Value of Derivative Instruments*

The following table details the fair value of our derivative instruments included on our condensed consolidated balance sheets.

	<b>December 31, Fair Value of Asset Derivatives(1)</b>		<b>December 31, Fair Value of (Liability) Derivatives(1)</b>	
	<b>March 31, 2012</b>	<b>December 31, 2011</b>	<b>March 31, 2012</b>	<b>December 31, 2011</b>
<b>Derivatives designated as hedging instruments:</b>				
Foreign currency forward contracts (cash flow hedges)	\$ 0.2	\$ 0.5	\$ (0.2)	\$ (0.6)
Interest rate swaps (fair value hedges)	2.0	2.1	(0.1)	
<b>Derivatives not designated as hedging instruments:</b>				
Foreign currency forward contracts	4.1	18.0	(4.3)	(3.0)
<b>Total</b>	<b>\$ 6.3</b>	<b>\$ 20.6</b>	<b>\$ (4.6)</b>	<b>\$ (3.6)</b>

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(1) Asset derivatives are included in other assets and liability derivatives are included in other liabilities. The following table details the effect of our derivative instruments on our condensed consolidated statements of operations.

	Amount of Gain (Loss) Recognized in Earnings on Derivatives(1) Three Months Ended March 31,	
	2012	2011
<b>Derivatives designated as hedging instruments:</b>		
Interest rate swaps	\$ 0.1	\$ 0.8
Foreign currency forward contracts(2)	(0.2)	
<b>Derivatives not designated as hedging instruments:</b>		
Foreign currency forward contracts(2)	(2.6)	5.1
<b>Total</b>	<b>\$ (2.7)</b>	<b>\$ 5.9</b>

- (1) Amounts recognized on the foreign currency forward contracts were included in other income (expense), net. Amounts recognized on the interest rate swaps were included in interest expense.
- (2) The net gains and (losses) included above were substantially offset by the net (losses) and gains resulting from the remeasurement of the underlying foreign currency denominated items, which are included in other expense, net, on the condensed consolidated statement of operations. The underlying foreign currency denominated items include third party and intercompany receivables and payables and interest-bearing intercompany loans. See Foreign Currency Forward Contracts Not Designated as Hedges above for further information.

**(12) Fair Value Measurements and Other Financial Instruments****Fair Value Measurements**

In determining fair value of financial instruments, we utilize valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible and consider counterparty credit risk in our assessment of fair value. We determine fair value of our financial instruments based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels:

*Level 1 Inputs:* Unadjusted quoted prices in active markets for identical assets or liabilities accessible to the reporting entity at the measurement date.

*Level 2 Inputs:* Other than quoted prices included in Level 1 inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.

*Level 3 Inputs:* Unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at measurement date. The following table details the fair value hierarchy of our financial instruments.

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	Fair Value	Fair Value	Fair Value	Fair Value
	Total	Level 1	Level 2	Level 3
March 31, 2012	Fair Value	Level 1	Level 2	Level 3
Cash equivalents	\$ 35.0	\$	\$ 35.0	\$
Derivative financial instruments net asset (liabilities):				
Interest rate swaps	\$ 1.9	\$	\$ 1.9	\$
Foreign currency forward contracts	\$ (0.2)	\$	\$ (0.2)	\$
December 31, 2011	Total	Level 1	Level 2	Level 3
Cash equivalents	\$ 148.9	\$	\$ 148.9	\$
Derivative financial instruments net asset:				
Interest rate swaps	\$ 2.1	\$	\$ 2.1	\$
Foreign currency forward contracts	\$ 14.9	\$	\$ 14.9	\$

**Cash Equivalents**

Our cash equivalents at March 31, 2012 consisted of commercial paper (fair value determined using Level 2 inputs). Our cash equivalents at December 31, 2011 consisted of commercial paper and money market accounts (fair value determined using Level 2 inputs). Since these are short-term highly liquid investments with original maturities of three months or less at the date of purchase, they present negligible risk of changes in fair value due to changes in interest rates.



**Table of Contents*****Derivative Financial Instruments***

Our foreign currency forward contracts are recorded at fair value on our condensed consolidated balance sheets using an income approach valuation technique based on observable market inputs (Level 2).

Observable market inputs used in the calculation of the fair value of foreign currency forward contracts include foreign currency spot and forward rates obtained from an independent third party market data provider. In addition, other pricing data quoted by various banks and foreign currency dealers involving identical or comparable instruments are included.

Our interest rate swaps are recorded at fair value on our condensed consolidated balance sheet using an income approach valuation technique based on observable market inputs (Level 2). Observable market inputs used in the calculation of the fair value of interest rate swaps include pricing data from counterparties to these swaps, and a comparison is made to other market data including U.S. Treasury yields and swap spreads involving identical or comparable derivative instruments.

Counterparties to these foreign currency forward contracts and interest rate swaps are rated at least A- by Standard & Poor's and Baa1 by Moody's. None of these counterparties experienced any significant ratings downgrades in the three months ended March 31, 2012. Credit ratings on some of our counterparties may change during the term of our financial instruments. We closely monitor our counterparties' credit ratings and if necessary will make any appropriate changes to our financial instruments. The fair value generally reflects the estimated amounts that we would receive or pay to terminate the contracts at the reporting date.

***Other Financial Instruments***

The following financial instruments are recorded at fair value or at amounts that approximate fair value: (1) receivables, net, (2) certain other current assets, (3) accounts payable and (4) other current liabilities. The carrying amounts reported on our condensed consolidated balance sheets for the above financial instruments closely approximate their fair value due to the short-term nature of these assets and liabilities.

Other liabilities that are recorded at carrying value on our condensed consolidated balance sheets include our senior notes. We utilize a market approach to calculate the fair value of our senior notes. Due to their limited investor base and the face value of some of our senior notes, they may not be actively traded on the date we calculate their fair value. Therefore, we may utilize prices and other relevant information generated by market transactions involving similar securities, reflecting U.S. Treasury yields to calculate the yield to maturity and the price on some of our senior notes. These inputs are provided by an independent third party and are considered to be Level 2 inputs.

We derive our fair value estimates of our various other debt instruments by evaluating the nature and terms of each instrument, considering prevailing economic and market conditions, and examining the cost of similar debt offered at the balance sheet date. We also incorporated our credit default swap rates and currency specific swap rates in the valuation of each debt instrument, as applicable.

These estimates are subjective and involve uncertainties and matters of significant judgment, and therefore we cannot determine them with precision. Changes in assumptions could significantly affect our estimates.

The table below shows the carrying amounts and estimated fair values of our total debt:

	\$5,024.0 March 31, 2012		\$5,024.0 December 31, 2011	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
5.625% Senior Notes due July 2013(1)	\$ 400.8	\$ 412.9	\$ 401.0	\$ 414.1
12% Senior Notes due February 2014(1)	155.6	177.7	156.3	179.8
Term Loan A Facility due October 2016(2)	960.3	960.3	989.9	989.9
7.875% Senior Notes due June 2017	393.8	431.3	393.5	426.0
Term Loan B Facility due October 2018(2)	1,125.7	1,125.7	1,118.8	1,118.8
8.125% Senior Notes due September 2019	750.0	827.0	750.0	824.5
8.375% Senior Notes due September 2021	750.0	842.2	750.0	826.9
6.875% Senior Notes due July 2033	448.6	433.0	448.6	389.3

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Other foreign loans	38.2	37.8	37.8	37.4
Other domestic loans	1.1	1.0	1.4	1.3
<b>Total debt</b>	<b>\$ 5,024.1</b>	<b>\$ 5,248.9</b>	<b>\$ 5,047.3</b>	<b>\$ 5,208.0</b>

(1) The carrying value and fair value of such debt include adjustments due to interest rate swaps. See Note 11, Derivatives and Hedging Activities.

(2) Includes non-U.S. dollar tranches.

As of March 31 2012, we did not have any non financial assets and liabilities that were carried at fair value on a recurring basis in the consolidated financial statements or for which a fair value measurement was required at March 31, 2012. Included among our non-financial assets and liabilities that are not required to be measured at fair value on a recurring basis are property and equipment, goodwill, intangible assets, and asset retirement obligations.

**(13) Income Taxes**

***Effective Income Tax Rate and Income Tax Provision***

Our loss before income taxes was reduced by an income tax benefit of \$8 million (an income tax benefit rate of 58.3%) for the three months ended March 31, 2012. Our earnings before income taxes was reduced by an income tax provision of \$22 million (an effective tax rate of 27.1%) for the three months ended March 31, 2011.

For the three months ended March 31, 2012, our income tax benefit exceeded the statutory U.S. federal income tax rate of 35% because of losses in jurisdictions, such as the U.S., with high tax rates, while we had earnings in other jurisdictions with low tax rates. We also reached favorable settlements of certain tax disputes during this period.

For the three months ended March 31, 2011, our effective income tax rate was lower than the statutory U.S. federal income tax rate of 35% primarily due to our lower net effective income tax rate on foreign earnings, our domestic manufacturing deduction and certain U.S. tax credits partially offset by state income taxes.

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***Unrecognized Tax Benefits***

There have been no material changes to the Company's unrecognized tax benefits as reported at March 31, 2012, nor have we changed our policy with regard to the reporting of penalties and interest related to unrecognized tax benefits.

**(14) Commitments and Contingencies**

***Cryovac Transaction Commitments and Contingencies***

***Settlement Agreement and Related Costs***

On November 27, 2002, we reached an agreement in principle with the Committees appointed to represent asbestos claimants in the bankruptcy case of W. R. Grace & Co., known as Grace, to resolve all current and future asbestos-related claims made against the Company and our affiliates in connection with the Cryovac transaction described below (as memorialized by the parties in the Settlement agreement and as approved by the Bankruptcy Court, the Settlement agreement). The Settlement agreement will also resolve the fraudulent transfer claims and successor liability claims, as well as indemnification claims by Fresenius Medical Care Holdings, Inc. and affiliated companies, in connection with the Cryovac transaction. On December 3, 2002, our Board of Directors approved the agreement in principle. We received notice that both of the Committees had approved the agreement in principle as of December 5, 2002. The parties subsequently signed the definitive Settlement agreement as of November 10, 2003 consistent with the terms of the agreement in principle. For a description of the Cryovac transaction, asbestos-related claims and the parties involved, see *Cryovac Transaction*, *Discussion of Cryovac Transaction Commitments and Contingencies*, *Fresenius Claims*, *Canadian Claims* and *Additional Matters Related to the Cryovac Transaction* below.

We recorded a pre-tax charge of approximately \$850 million as a result of the Settlement agreement on our condensed consolidated statement of operations for the year ended December 31, 2002. The charge consisted of the following items:

a charge of \$513 million covering a cash payment that we will be required to make under the Settlement agreement upon the effectiveness of an appropriate plan of reorganization in the Grace bankruptcy. Because we cannot predict when a plan of reorganization may become effective, we recorded this liability as a current liability on our consolidated balance sheet at December 31, 2002. Under the terms of the Settlement agreement, this amount accrues interest at a 5.5% annual rate from December 21, 2002 to the date of payment. We have recorded this interest in interest expense on our condensed consolidated statements of operations and in Settlement agreement and related accrued interest on our condensed consolidated balance sheets. The accrued interest, which is compounded annually, was \$330 million at March 31, 2012 and \$319 million at December 31, 2011.

a non-cash charge of \$322 million representing the fair market value at the date we recorded the charge of nine million shares of Sealed Air common stock that we expect to issue under the Settlement agreement upon the effectiveness of an appropriate plan of reorganization in the Grace bankruptcy, which was adjusted to eighteen million shares due to our two-for-one stock split in March 2007. These shares are subject to customary anti-dilution provisions that adjust for the effects of stock splits, stock dividends and other events affecting our common stock. The fair market value of our common stock was \$35.72 per pre-split share (\$17.86 post-split) as of the close of business on December 5, 2002. We recorded this amount on our consolidated balance sheet at December 31, 2002 as follows: \$0.9 million representing the aggregate par value of these shares of common stock reserved for issuance related to the Settlement agreement, and the remaining \$321 million, representing the excess of the aggregate fair market value over the aggregate par value of these common shares, in additional paid-in capital.

\$16 million of legal and related fees as of December 31, 2002.

Settlement agreement and related costs reflected legal and related fees for Settlement-related matters of \$0.1 million for the three months ended March 31, 2012 and \$0.4 million for the three months ended March 31, 2011, which are included in other (expense) income, net, on our condensed consolidated statements of operations.

***Cryovac Transaction***

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On March 31, 1998, we completed a multi-step transaction that brought the Cryovac packaging business and the former Sealed Air Corporation's business under the common ownership of the Company. These businesses operate as subsidiaries of the Company, and the Company acts as a holding company. As part of that transaction, the parties separated the Cryovac packaging business, which previously had been held by various direct and indirect subsidiaries of the Company, from the remaining businesses previously held by the Company. The parties then arranged for the contribution of these remaining businesses to a company now known as W. R. Grace & Co., and the Company distributed the Grace shares to the Company's stockholders. As a result, W. R. Grace & Co. became a separate publicly owned company. The Company recapitalized its outstanding shares of common stock into a new common stock and a new convertible preferred stock. A subsidiary of the Company then merged into the former Sealed Air Corporation, which became a subsidiary of the Company and changed its name to Sealed Air Corporation (US).

### *Discussion of Cryovac Transaction Commitments and Contingencies*

In connection with the Cryovac transaction, Grace and its subsidiaries retained all liabilities arising out of their operations before the Cryovac transaction, whether accruing or occurring before or after the Cryovac transaction, other than liabilities arising from or relating to Cryovac's operations. Among the liabilities retained by Grace are liabilities relating to asbestos-containing products previously manufactured or sold by Grace's subsidiaries prior to the Cryovac transaction, including its primary U.S. operating subsidiary, W. R. Grace & Co. Conn., which has operated for decades and has been a subsidiary of Grace since the Cryovac transaction. The Cryovac transaction agreements provided that, should any claimant seek to hold the Company or any of its subsidiaries responsible for liabilities retained by Grace or its subsidiaries, including the asbestos-related liabilities, Grace and its subsidiaries would indemnify and defend us.

Since the beginning of 2000, we have been served with a number of lawsuits alleging that, as a result of the Cryovac transaction, we are responsible for alleged asbestos liabilities of Grace and its subsidiaries, some of which were also named as co-defendants in some of these actions. Among these lawsuits are several purported class actions and a number of personal injury lawsuits. Some plaintiffs seek damages for personal injury or wrongful death, while others seek medical monitoring, environmental remediation or remedies related to an attic insulation product. Neither the former Sealed Air Corporation nor Cryovac, Inc. ever produced or sold any of the asbestos-containing materials that are the subjects of these cases. None of these cases has reached resolution through judgment, settlement or otherwise. As discussed below, Grace's Chapter 11 bankruptcy proceeding has stayed all of these cases.

While the allegations in these actions directed to us vary, these actions all appear to allege that the transfer of the Cryovac business as part of the Cryovac transaction was a fraudulent transfer or gave rise to successor liability. Under a theory of successor liability, plaintiffs with claims against Grace and its subsidiaries may attempt to hold us liable for liabilities that arose with respect to activities conducted prior to the Cryovac transaction by W. R. Grace & Co. Conn. or other

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Grace subsidiaries. A transfer would be a fraudulent transfer if the transferor received less than reasonably equivalent value and the transferor was insolvent or was rendered insolvent by the transfer, was engaged or was about to engage in a business for which its assets constitute unreasonably small capital, or intended to incur or believed that it would incur debts beyond its ability to pay as they mature. A transfer may also be fraudulent if it was made with actual intent to hinder, delay or defraud creditors. If a court found any transfers in connection with the Cryovac transaction to be fraudulent transfers, we could be required to return the property or its value to the transferor or could be required to fund liabilities of Grace or its subsidiaries for the benefit of their creditors, including asbestos claimants. We have reached an agreement in principle and subsequently signed the Settlement agreement, described below, that is expected to resolve all these claims.

In the Joint Proxy Statement furnished to their respective stockholders in connection with the Cryovac transaction, both parties to the transaction stated that it was their belief that Grace and its subsidiaries were adequately capitalized and would be adequately capitalized after the Cryovac transaction and that none of the transfers contemplated to occur in the Cryovac transaction would be a fraudulent transfer. They also stated their belief that the Cryovac transaction complied with other relevant laws. However, if a court applying the relevant legal standards had reached conclusions adverse to us, these determinations could have had a materially adverse effect on our consolidated financial condition and results of operations.

On April 2, 2001, Grace and a number of its subsidiaries filed petitions for reorganization under Chapter 11 of the U.S. Bankruptcy Code in the U.S. Bankruptcy Court in the District of Delaware (the Bankruptcy Court). Grace stated that the filing was made in response to a sharply increasing number of asbestos claims since 1999.

In connection with its Chapter 11 filing, Grace filed an application with the Bankruptcy Court seeking to stay, among others, all actions brought against the Company and specified subsidiaries related to alleged asbestos liabilities of Grace and its subsidiaries or alleging fraudulent transfer claims. The court issued an order dated May 3, 2001, which was modified on January 22, 2002, under which the court stayed all the filed or pending asbestos actions against us and, upon filing and service on us, all future asbestos actions. No further proceedings involving us can occur in the actions that have been stayed except upon further order of the Bankruptcy Court.

Committees appointed to represent asbestos claimants in Grace's bankruptcy case received the court's permission to pursue fraudulent transfer and other claims against the Company and its subsidiary Cryovac, Inc., and against Fresenius, as discussed below. The claims against Fresenius are based upon a 1996 transaction between Fresenius and W. R. Grace & Co., Conn. Fresenius is not affiliated with us. In March 2002, the court ordered that the issues of the solvency of Grace following the Cryovac transaction and whether Grace received reasonably equivalent value in the Cryovac transaction would be tried on behalf of all of Grace's creditors. This proceeding was brought in the U.S. District Court for the District of Delaware (the District Court) (Adv. No. 02-02210).

In June 2002, the court permitted the U.S. government to intervene as a plaintiff in the fraudulent transfer proceeding, so that the U.S. government could pursue allegations that environmental remediation expenses were underestimated or omitted in the solvency analyses of Grace conducted at the time of the Cryovac transaction. The court also permitted Grace, which asserted that the Cryovac transaction was not a fraudulent transfer, to intervene in the proceeding. In July 2002, the court issued an interim ruling on the legal standards to be applied in the trial, holding, among other things, that, subject to specified limitations, post-1998 claims should be considered in the solvency analysis of Grace. We believe that only claims and liabilities that were known, or reasonably should have been known, at the time of the 1998 Cryovac transaction should be considered under the applicable standard.

With the fraudulent transfer trial set to commence on December 9, 2002, on November 27, 2002, we reached an agreement in principle with the Committees prosecuting the claims against the Company and Cryovac, Inc., to resolve all current and future asbestos-related claims arising from the Cryovac transaction. On the same day, the court entered an order confirming that the parties had reached an amicable resolution of the disputes among the parties and that counsel for us and the Committees had agreed and bound the parties to the terms of the agreement in principle. As discussed above, the agreement in principle called for payment of nine million shares of our common stock and \$513 million in cash, plus interest on the cash payment at a 5.5% annual rate starting on December 21, 2002 and ending on the effective date of an appropriate plan of reorganization in the Grace bankruptcy, when we are required to make the payment. These shares are subject to customary anti-dilution provisions that adjust for the effects of stock splits, stock dividends and other events affecting our common stock, and as a result, the number of shares of our common stock that we will issue increased to eighteen million shares upon the two-for-one stock split in March 2007. On December 3, 2002, the Company's Board of Directors approved the agreement in principle. We received notice that both of the Committees had approved the agreement in principle as of December 5, 2002. The parties subsequently signed the definitive Settlement agreement as of November 10, 2003 consistent with the terms of the agreement in principle. On November 26, 2003, the parties jointly presented the definitive Settlement agreement to the District Court for approval. On Grace's motion to the District Court, that court transferred the motion to approve the Settlement agreement to the Bankruptcy Court for disposition.

On June 27, 2005, the Bankruptcy Court signed an order approving the Settlement agreement. Although Grace is not a party to the Settlement agreement, under the terms of the order, Grace is directed to comply with the Settlement agreement subject to limited exceptions. The order also

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provides that the Court will retain jurisdiction over any dispute involving the interpretation or enforcement of the terms and provisions of the Settlement agreement. We expect that the Settlement agreement will become effective upon Grace's emergence from bankruptcy pursuant to a plan of reorganization that is consistent with the terms of the Settlement agreement.

On June 8, 2004, we filed a motion with the District Court, where the fraudulent transfer trial was pending, requesting that the court vacate the July 2002 interim ruling on the legal standards to be applied relating to the fraudulent transfer claims against us. We were not challenging the Settlement agreement. The motion was filed as a protective measure in the event that the Settlement agreement is ultimately not approved or implemented; however, we still expect that the Settlement agreement will become effective upon Grace's emergence from bankruptcy with a plan of reorganization that is consistent with the terms of the Settlement agreement.

On July 11, 2005, the Bankruptcy Court entered an order closing the proceeding brought in 2002 by the committees appointed to represent asbestos claimants in the Grace bankruptcy proceeding against us without prejudice to our right to reopen the matter and renew in our sole discretion our motion to vacate the July 2002 interim ruling on the legal standards to be applied relating to the fraudulent transfer claims against us.

As a condition to our obligation to make the payments required by the Settlement agreement, any final plan of reorganization must be consistent with the terms of the Settlement agreement, including provisions for the trusts and releases referred to below and for an injunction barring the prosecution of any asbestos-related claims against us. The Settlement agreement provides that, upon the effective date of the final plan of reorganization and payment of the shares and cash, all present and future asbestos-related claims against us that arise from alleged asbestos liabilities of Grace and its affiliates (including former affiliates that became our affiliates through the Cryovac transaction) will be channeled to and become the responsibility of one or more trusts to be established under Section 524(g) of the Bankruptcy Code as part of a final plan of reorganization in the Grace bankruptcy. The Settlement agreement will also resolve all fraudulent transfer claims against us arising from the Cryovac transaction as well as the Fresenius claims described below. The Settlement agreement provides that we will receive releases of all those claims upon payment. Under the agreement, we cannot seek indemnity from Grace for our payments required by the Settlement agreement. The order approving the Settlement agreement also provides that the stay of proceedings involving us described above will continue through the effective date of the final plan of reorganization, after which, upon implementation of the Settlement agreement, we will be released from the liabilities asserted in those proceedings and their continued prosecution against us will be enjoined.

In January 2005, Grace filed a proposed plan of reorganization (the Grace Plan) with the Bankruptcy Court. There were a number of objections filed. The Official

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Committee of Asbestos Personal Injury Claimants (the ACC ) and the Asbestos PI Future Claimants Representative (the FCR ) filed their proposed plan of reorganization (the Claimants Plan ) with the Bankruptcy Court in November 2007. On April 7, 2008, Grace issued a press release announcing that Grace, the ACC, the FCR, and the Official Committee of Equity Security Holders (the Equity Committee ) had reached an agreement in principle to settle all present and future asbestos-related personal injury claims against Grace (the PI Settlement ) and disclosed a term sheet outlining certain terms of the PI Settlement and for a contemplated plan of reorganization that would incorporate the PI Settlement (as filed and amended from time to time, the PI Settlement Plan ).

On September 19, 2008, Grace, the ACC, the FCR, and the Equity Committee filed, as co-proponents, the PI Settlement Plan and several exhibits and associated documents, including a disclosure statement (as filed and amended from time to time, the PI Settlement Disclosure Statement ), with the Bankruptcy Court. Amended versions of the PI Settlement Plan and the PI Settlement Disclosure Statement have been filed with the Bankruptcy Court from time to time. The PI Settlement Plan, which supersedes each of the Grace Plan and the Claimants Plan, remains pending and has not become effective. The committee representing general unsecured creditors and the Official Committee of Asbestos Property Damage Claimants are not co-proponents of the PI Settlement Plan. As filed, the PI Settlement Plan would provide for the establishment of two asbestos trusts under Section 524(g) of the United States Bankruptcy Code to which present and future asbestos-related claims would be channeled. The PI Settlement Plan also contemplates that the terms of the Settlement agreement will be incorporated into the PI Settlement Plan and that we will pay the amount contemplated by the Settlement agreement. On March 9, 2009, the Bankruptcy Court entered an order approving the PI Settlement Disclosure Statement (the DS Order ) as containing adequate information and authorizing Grace to solicit votes to accept or reject the PI Settlement Plan, all as more fully described in the order. The DS Order did not constitute the Bankruptcy Court's confirmation of the PI Settlement Plan, approval of the merits of the PI Settlement Plan, or endorsement of the PI Settlement Plan. In connection with the plan voting process in the Grace bankruptcy case, we voted in favor of the PI Settlement Plan that was before the Bankruptcy Court. We will continue to review any amendments to the PI Settlement Plan on an ongoing basis to verify compliance with the Settlement agreement.

On June 8, 2009, a senior manager with the voting agent appointed in the Grace bankruptcy case filed a declaration with the Bankruptcy Court certifying the voting results with respect to the PI Settlement Plan. This declaration was amended on August 5, 2009 (as amended, the Voting Declaration ). According to the Voting Declaration, with respect to each class of claims designated as impaired by Grace, the PI Settlement Plan was approved by holders of at least two-thirds in amount and more than one-half in number (or for classes voting for purposes of Section 524(g) of the Bankruptcy Code, at least 75% in number) of voted claims. The Voting Declaration also discusses the voting results with respect to holders of general unsecured claims ( GUCs ) against Grace, whose votes were provisionally solicited and counted subject to a determination by the Bankruptcy Court of whether GUCs are impaired (and, thus, entitled to vote) or, as Grace contends, unimpaired (and, thus, not entitled to vote). According to the Voting Declaration, more than one half of voting holders of GUCs voted to accept the PI Settlement Plan, but the provisional vote did not obtain the requisite two-thirds dollar amount to be deemed an accepting class in the event that GUCs are determined to be impaired. To the extent that GUCs are determined to be an impaired non-accepting class, Grace and the other plan proponents have indicated that they would nevertheless seek confirmation of the PI Settlement Plan under the cram down provisions contained in Section 1129(b) of the Bankruptcy Code.

On January 31, 2011, the Bankruptcy Court entered a memorandum opinion (as amended, the Bankruptcy Court Opinion ) overruling certain objections to the PI Settlement Plan and finding, among other things, that GUCs are not impaired under the PI Settlement Plan. On the same date, the Bankruptcy Court entered an order regarding confirmation of the PI Settlement Plan (as amended, the Bankruptcy Court Confirmation Order ). As entered on January 31, 2011, the Bankruptcy Court Confirmation Order contained recommended findings of fact and conclusions of law, and recommended that the District Court approve the Bankruptcy Court Confirmation Order, and that the District Court confirm the PI Settlement Plan and issue a channeling injunction under Section 524(g) of the Bankruptcy Code. Thereafter, on February 15, 2011, the Bankruptcy Court issued an order clarifying the Bankruptcy Court Opinion and the Bankruptcy Court Confirmation Order (the Clarifying Order ). Among other things, the Clarifying Order provided that any references in the Bankruptcy Court Opinion and the Bankruptcy Court Confirmation Order to a recommendation that the District Court confirm the PI Settlement Plan were thereby amended to make clear that the PI Settlement Plan was confirmed and that the Bankruptcy Court was requesting that the District Court issue and affirm the Bankruptcy Court Confirmation Order including the injunction under Section 524(g) of the Bankruptcy Code. On March 11, 2011, the Bankruptcy Court entered an order granting in part and denying in part a motion to reconsider the Bankruptcy Court Opinion filed by BNSF Railway Company (the March 11 Order ). Among other things, the March 11 Order amended the Bankruptcy Court Opinion to clarify certain matters relating to objections to the PI Settlement Plan filed by BNSF.

Various parties appealed or otherwise challenged the Bankruptcy Court Opinion and the Bankruptcy Court Confirmation Order, including without limitation with respect to issues relating to releases and injunctions contained in the PI Settlement Plan. On June 28 and 29, 2011, the District Court heard oral arguments in connection with appeals of the Bankruptcy Court Opinion and the Bankruptcy Court Confirmation Order. On January 30, 2012, the District Court issued a memorandum opinion (the District Court Opinion ) and confirmation order (the District Court Confirmation Order ) overruling all objections to the PI Settlement Plan and confirming the PI Settlement Plan in its entirety (including the issuance of the injunction under Section 524(g) of the Bankruptcy Code).



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On February 2, 2012, Garlock Sealing Technologies LLC ( Garlock ) filed a motion (the Garlock Reargument Motion ) with the District Court requesting that the District Court grant reargument, rehearing, or otherwise amend the District Court Opinion and the District Court Confirmation Order insofar as they overrule Garlock's objections to the PI Settlement Plan. On February 13, 2012, the Company, Cryovac, and Fresenius Medical Care Holdings, Inc. filed a joint motion (the Sealed Air/Fresenius Motion ) with the District Court. The Sealed Air/Fresenius Motion does not seek to disturb confirmation of the PI Settlement Plan but requests that the District Court amend and clarify certain matters in the District Court Opinion and the District Court Confirmation Order. Also on February 13, 2012, Grace and the other proponents of the PI Settlement Plan filed a motion (the Plan Proponents Motion ) with the District Court requesting certain of the same amendments and clarifications sought by the Sealed Air/Fresenius Motion. On February 27, 2012, certain asbestos claimants known as the Libby Claimants filed a response to the Sealed Air/Fresenius Motion and the Plan Proponents Motion (the Libby Response ). The Libby Response does not oppose the Sealed Air/Fresenius Motion or the Plan Proponents Motion but indicates, among other things, that: (a) the Libby Claimants have reached a settlement in principle of their objections to the PI Settlement Plan but that this settlement has not become effective and (b) the Libby Claimants reserve their rights with respect to the PI Settlement Plan pending the effectiveness of the Libby Claimants settlement. On April 20, 2012, as part of a more global settlement, Grace filed a motion with the Bankruptcy Court seeking, among other things, approval of a settlement with the Libby Claimants and BNSF. If approved by the court and implemented, this settlement should, among other things, result in the Libby Claimants and BNSF withdrawing their opposition to the PI Settlement Plan. On February 27, 2012, the District Court entered an order providing that parties would have 30 days to file a notice of appeal of the District Court Opinion and the District Court Confirmation Order computed from the last date of the District Court's entry of an order regarding any and/or all of the Garlock Reargument Motion, the Sealed Air/Fresenius Motion, and the Plan Proponents Motion. Also, on February 27, 2012, Garlock filed a motion (the Garlock Stay Motion ) requesting that the District Court stay the District Court Opinion and the District Court Confirmation Order until the later of 14 days after the disposition of the Garlock Reargument Motion or disposition of any timely appeal by Garlock of the District Court Opinion and the District Court Confirmation Order. By order dated April 10, 2012, the District Court (y) denied the Garlock Stay Motion without prejudice based upon Grace's statement that it would not seek to consummate the PI Settlement Plan while the Garlock Reargument Motion was pending and (z) ordered Grace and Garlock to appear before the District Court to address all issues relating to the Garlock Reargument Motion. The District Court held a hearing on May 8, 2012 to consider the Garlock Reargument Motion. The District Court has not ruled on the Garlock Reargument Motion, the Sealed Air/Fresenius Motion, or the Plan Proponents Motion. The District Court has not scheduled a hearing with respect to the Sealed Air/Fresenius Motion or the Plan Proponents Motion and the Company does not know whether or when such a hearing may be scheduled, whether the District Court may instead rule on the Sealed Air/Fresenius Motion or the Plan Proponents Motion without a hearing, or how or when the District Court may rule with respect to such motions or the Garlock Reargument Motion.

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Parties have also appealed the District Court Opinion and the District Court Confirmation Order to the United States Court of Appeals for the Third Circuit (the Third Circuit Court of Appeals). By orders dated February 23, 2012, the Third Circuit Court of Appeals stayed appeals of the District Court Opinion and the District Court Confirmation Order pending disposition of motions filed in the District Court with respect to the District Court Opinion and the District Court Confirmation Order. Although we are optimistic that, if it were to become effective, the PI Settlement Plan would implement the terms of the Settlement agreement, we can give no assurance that this will be the case notwithstanding the confirmation of the PI Settlement Plan by the Bankruptcy Court and the District Court. The terms of the PI Settlement Plan remain subject to amendment. Moreover, the PI Settlement Plan is subject to the satisfaction of a number of conditions which are more fully set forth in the PI Settlement Plan and include, without limitation, the availability of exit financing and the approval of the PI Settlement Plan becoming final and no longer subject to appeal. Parties have appealed the District Court Confirmation Order to the Third Circuit Court of Appeals or otherwise challenged the District Court Opinion and the District Court Confirmation Order. Matters relating to the PI Settlement Plan, the Bankruptcy and District Court Opinions, and the Bankruptcy and District Court Confirmation Orders may be subject to further appeal, challenge, and proceedings before the District Court, the Third Circuit Court of Appeals, or other courts. Parties may designate various issues to be considered in challenging the PI Settlement Plan, the Bankruptcy and District Court Opinions, or the Bankruptcy and District Court Confirmation Orders, including, without limitation, issues relating to releases and injunctions contained in the PI Settlement Plan.

While the Bankruptcy Court and the District Court have confirmed the PI Settlement Plan, we do not know whether or when the Third Circuit Court of Appeals will affirm the District Court Confirmation Order or the District Court Opinion, whether or when the Bankruptcy and District Court Opinions or the Bankruptcy and District Court Confirmation Orders will become final and no longer subject to appeal, or whether or when a final plan of reorganization (whether the PI Settlement Plan or another plan of reorganization) will become effective. Assuming that a final plan of reorganization (whether the PI Settlement Plan or another plan of reorganization) is confirmed by the Bankruptcy Court and the District Court, and does become effective, we do not know whether the final plan of reorganization will be consistent with the terms of the Settlement agreement or if the other conditions to our obligation to pay the Settlement agreement amount will be met. If these conditions are not satisfied or not waived by us, we will not be obligated to pay the amount contemplated by the Settlement agreement. However, if we do not pay the Settlement agreement amount, we will not be released from the various asbestos related, fraudulent transfer, successor liability, and indemnification claims made against us and all of these claims would remain pending and would have to be resolved through other means, such as through agreement on alternative settlement terms or trials. In that case, we could face liabilities that are significantly different from our obligations under the Settlement agreement. We cannot estimate at this time what those differences or their magnitude may be. In the event these liabilities are materially larger than the current existing obligations, they could have a material adverse effect on our consolidated financial condition and results of operations. We will continue to review the Grace bankruptcy proceedings (including appeals and other proceedings relating to the PI Settlement Plan, the Bankruptcy and District Court Opinions, and the Bankruptcy and District Court Confirmation Orders), as well as any amendments or changes to the PI Settlement Plan or to Bankruptcy and District Court Opinions and Confirmation Orders, to verify compliance with the Settlement agreement.

*Fresenius Claims*

In January 2002, we filed a declaratory judgment action against Fresenius Medical Care Holdings, Inc., its parent, Fresenius AG, a German company, and specified affiliates in New York State court asking the court to resolve a contract dispute between the parties. The Fresenius parties contended that we were obligated to indemnify them for liabilities that they might incur as a result of the 1996 Fresenius transaction mentioned above. The Fresenius parties' contention was based on their interpretation of the agreements between them and W. R. Grace & Co. Conn. in connection with the 1996 Fresenius transaction. In February 2002, the Fresenius parties announced that they had accrued a charge of \$172 million for these potential liabilities, which included pre-transaction tax liabilities of Grace and the costs of defense of litigation arising from Grace's Chapter 11 filing. We believe that we were not responsible to indemnify the Fresenius parties under the 1996 agreements and filed the action to proceed to a resolution of the Fresenius parties' claims. In April 2002, the Fresenius parties filed a motion to dismiss the action and for entry of declaratory relief in its favor. We opposed the motion, and in July 2003, the court denied the motion without prejudice in view of the November 27, 2002 agreement in principle referred to above. As noted above, under the Settlement agreement, we and the Fresenius parties will exchange mutual releases, which will release us from any and all claims related to the 1996 Fresenius transaction.

*Canadian Claims*

In November 2004, the Company's Canadian subsidiary Sealed Air (Canada) Co./Cie learned that it had been named a defendant in the case of *Thundersky v. The Attorney General of Canada, et al.* (File No. CI04-01-39818), pending in the Manitoba Court of Queen's Bench. Grace and W. R. Grace & Co. Conn. are also named as defendants. The plaintiff brought the claim as a putative class proceeding and seeks recovery for alleged injuries suffered by any Canadian resident, other than in the course of employment, as a result of Grace's marketing, selling, processing, manufacturing, distributing and/or delivering asbestos or asbestos-containing products in Canada prior to the Cryovac Transaction. A plaintiff filed another proceeding in January 2005 in the Manitoba Court of Queen's Bench naming the Company and specified subsidiaries as defendants. The latter proceeding, *Her Majesty the Queen in Right of the Province of Manitoba v. The Attorney General of Canada, et al.* (File No. CI05-01-41069), seeks the recovery of the cost of insured health services allegedly provided by the Government of Manitoba to the

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members of the class of plaintiffs in the *Thundersky* proceeding. In October 2005, we learned that six additional putative class proceedings had been brought in various provincial and federal courts in Canada seeking recovery from the Company and its subsidiaries Cryovac, Inc. and Sealed Air (Canada) Co./Cie, as well as other defendants including W. R. Grace & Co. and W. R. Grace & Co. Conn., for alleged injuries suffered by any Canadian resident, other than in the course of employment (except with respect to one of these six claims), as a result of Grace's marketing, selling, manufacturing, processing, distributing and/or delivering asbestos or asbestos-containing products in Canada prior to the Cryovac transaction. Grace and W. R. Grace & Co. Conn. have agreed to defend, indemnify and hold harmless the Company and its affiliates in respect of any liability and expense, including legal fees and costs, in these actions.

In April 2001, Grace Canada, Inc. had obtained an order of the Superior Court of Justice, Commercial List, Toronto (the Canadian Court), recognizing the Chapter 11 actions in the United States of America involving Grace Canada, Inc.'s U.S. parent corporation and other affiliates of Grace Canada, Inc., and enjoining all new actions and staying all current proceedings against Grace Canada, Inc. related to asbestos under the Companies Creditors Arrangement Act. That order has been renewed repeatedly. In November 2005, upon motion by Grace Canada, Inc., the Canadian Court ordered an extension of the injunction and stay to actions involving asbestos against the Company and its Canadian affiliate and the Attorney General of Canada, which had the effect of staying all of the Canadian actions referred to above. The parties finalized a global settlement of these Canadian actions (except for claims against the Canadian government). That settlement, which has subsequently been amended (the Canadian Settlement), will be entirely funded by Grace. The Canadian Court issued an Order on December 13, 2009 approving the Canadian Settlement. We do not have any positive obligations under the Canadian Settlement, but we are a beneficiary of the release of claims. The release in favor of the Grace parties (including us) will become operative upon the effective date of a plan of reorganization in Grace's United States Chapter 11 bankruptcy proceeding. As filed, the PI Settlement Plan contemplates that the claims released under the Canadian Settlement will be subject to injunctions under Section 524(g) of the Bankruptcy Code. As indicated above, the Bankruptcy Court entered the Bankruptcy Court Confirmation Order on January 31, 2011 and the Clarifying Order on February 15, 2011 and the District Court entered the District Court Confirmation Order on January 30, 2012. The Canadian Court issued an Order on April 8, 2011 recognizing and giving full effect to the Bankruptcy Court's Confirmation Order in all provinces and territories of Canada in accordance with the Confirmation Order's terms. Notwithstanding the foregoing, the PI Settlement Plan has not become effective, and we can give no assurance that the PI Settlement Plan (or any other plan of reorganization) will become effective. Assuming that a final plan of reorganization (whether the PI Settlement Plan or another plan of reorganization) does become effective, if the final plan of reorganization does not incorporate the terms of the Canadian Settlement or if the Canadian courts refuse to enforce the final plan of reorganization in the Canadian courts, and if in addition Grace is unwilling or unable to defend and indemnify the Company and its subsidiaries in these cases, then we could be required to pay substantial damages, which we cannot estimate at this time and which could have a material adverse effect on our consolidated financial condition and results of operations.

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### *Additional Matters Related to the Cryovac Transaction*

In view of Grace's Chapter 11 filing, we may receive additional claims asserting that we are liable for obligations that Grace had agreed to retain in the Cryovac transaction and for which we may be contingently liable. To date, we are not aware of any material claims having been asserted or threatened against us.

Final determinations and accountings under the Cryovac transaction agreements with respect to matters pertaining to the transaction had not been completed at the time of Grace's Chapter 11 filing in 2001. We have filed claims in the bankruptcy proceeding that reflect the costs and liabilities that we have incurred or may incur that Grace and its affiliates agreed to retain or that are subject to indemnification by Grace and its affiliates under the Cryovac transaction agreements, other than payments to be made under the Settlement agreement. Grace has alleged that we are responsible for specified amounts under the Cryovac transaction agreements. Subject to the terms of the Settlement agreement, amounts for which we may be liable to Grace may be used to offset the liabilities of Grace and its affiliates to us. We intend to seek indemnification by Grace and its affiliates to the extent permissible under law, the Settlement agreement, and the Cryovac transaction agreements. Except to the extent of any potential setoff or similar claim, we expect that our claims will be as an unsecured creditor of Grace. Since portions of our claims against Grace and its affiliates are contingent or unliquidated, we cannot determine the amount of our claims, the extent to which these claims may be reduced by setoff, how much of the claims may be allowed, or the amount of our recovery on these claims, if any, in the bankruptcy proceeding.

### **(15) Stockholders' Equity**

#### *Quarterly Cash Dividends*

On April 19, 2012, our Board of Directors declared a quarterly cash dividend of \$0.13 per common share. This dividend is payable on June 15, 2012 to stockholders of record at the close of business on June 1, 2012. The estimated amount of this dividend payment is \$25 million based on 194 million shares of our common stock issued and outstanding as of April 30, 2012.

On February 16, 2012, our Board of Directors declared a quarterly cash dividend of \$0.13 per common share, which was paid on March 16, 2012 to stockholders of record at the close of business on March 2, 2012. We used \$25 million of available cash to pay this quarterly cash dividend.

Our new Credit Facility and the Notes contain covenants that restrict our ability to declare or pay dividends. However, we do not believe these covenants are likely to materially limit the future payment of quarterly cash dividends on our common stock. From time to time, we may consider other means of returning value to our stockholders based on our consolidated financial condition and results of operations. There is no guarantee that our Board of Directors will declare any further dividends.

#### *Stock Appreciation Rights*

In connection with the acquisition of Diversey, Sealed Air exchanged Diversey's cash-settled stock appreciation rights and stock options that were unvested as of May 31, 2011 and unexercised at October 3, 2011 into cash-settled stock appreciation rights based on Sealed Air common stock (SARs). The number of SARs was determined based on the ratio of the per share merger consideration value of \$24.50 and the fair value of Sealed Air's common stock on September 30, 2011 of \$16.70, or an exchange fraction of 1.46722. This resulted in granting 13 million SARs.

The fair-value-based measure of the SARs at October 3, 2011 was \$100 million based on the assumptions as of the closing date of the acquisition. The fair value of the SARs was calculated using a Black-Scholes valuation model with assumptions with respect to each of the following variables: closing stock price on October 3, 2011; forfeiture rates; risk-free interest rates; expected volatility and a dividend yield. We included the fair value of Diversey cash-settled stock appreciation rights and unvested stock options converted to SARs of \$51 million in the consideration transferred for the acquisition that was related to services rendered prior to the acquisition.

Since these SARs are settled in cash, the amount of the related future expense will fluctuate based on the forfeiture activity and the changes in the assumptions used in the Black-Scholes valuation model which include Sealed Air's stock price; risk-free interest rates; expected volatility and a dividend yield. In addition, once vested, the related expense will continue to fluctuate due to the changes in the assumptions used in the Black-Scholes valuation model for any SARs that are not exercised until their respective expiration dates, the last of which is currently in March 2021.

During the three months ended March 31, 2012, we recognized compensation expense of \$12 million related to SARs that were granted to Diversey employees who remained employees as of March 31, 2012. This expense was based on the assumptions mentioned above and is included in marketing, administrative and development expenses on our condensed consolidated statements of operations. Payments due to the

exercise of SARs in the three months ended March 31, 2012 were \$19 million. As of March 31, 2012, the remaining liability for these SARs was \$40 million and is included in other liabilities on our condensed consolidated balance sheet.

In addition, in the three months ended March 31, 2012, we recognized compensation expense of \$7 million for SARs as part of the termination and benefit costs for the Diversey employees that were part of the 2011 – 2014 Integration & Optimization Program. This expense was included in restructuring charges on our condensed consolidated statements of operations. Payments upon the exercise of these SARs were \$16 million in the three months ended March 31, 2012. The remaining liability for SARs included in the restructuring plan was \$1 million as of March 31, 2012 and is included in accrued restructuring costs on the condensed consolidated balance sheet.

### **2005 Contingent Stock Plan**

The 2005 Contingent Stock Plan is our sole long-term equity compensation program for officers and employees. The 2005 Contingent Stock Plan provides for awards of equity-based compensation, including restricted stock, restricted stock units, performance share units and cash awards measured by share price, to our executive officers and other key employees, as well as U.S.-based key consultants. During the three months ended March 31, 2012, under the 2005 Contingent Stock Plan, we granted restricted stock, restricted stock units and cash awards, in addition to the SLO and PSU awards described below. An employee or consultant selected by the Organization and Compensation Committee of our Board of Directors to receive an award may accept the award during the period specified by us, provided the participant's relationship to us has not changed.

Awards made under the 2005 Contingent Stock Plan are restricted as to disposition by the holders for a period of at least three years after award, except for SLO and PSU awards, which are described below. In the event of termination of employment of a participant before lapse of the restriction, the awards under the 2005 Contingent Stock Plan are forfeited on the date of termination unless (i) the termination results from the participant's death or permanent and total disability, or (ii) the Compensation Committee affirmatively determines not to seek forfeiture of the award in whole or in part. The forfeiture provision of the 2005 Contingent Stock Plan expires upon vesting of the awards, except that these provisions of the 2005 Contingent Stock Plan lapse sooner upon certain terminations of employment following a change in control.

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Under our executive compensation program, we have the ability to grant to our executive officers and a small number of other key executives (1) stock leverage opportunity awards, known as SLO awards, as part of our annual incentive plan and (2) annual performance share unit awards, known as PSU awards, as part of our long term incentive program. Other employees are eligible to receive awards of restricted stock, restricted stock units and cash awards as long term incentive compensation under the 2005 Contingent Stock Plan. Our executive officers and other key executives may also receive awards of restricted stock or restricted stock units from time to time.

**Share-based Incentive Compensation**

We record share-based incentive compensation expense in marketing, administrative and development expenses on our condensed consolidated statements of operations with a corresponding credit to additional paid-in capital within stockholders' equity based on the fair value of the share-based incentive compensation awards at the date of grant. We recognize an expense or credit reflecting the straight-line recognition, net of estimated forfeitures, of the expected cost of the program. For the various PSU awards programs described below, the cumulative amount accrued to date is adjusted up or down to the extent the expected performance against the targets has improved or worsened. These share-based incentive compensation programs are described in more detail below.

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

	Three Months Ended March 31,	
	2012	2011
2012 Three-year PSU Awards	\$ 0.7	\$
2011 Three-year PSU Awards	0.3	0.9
2010 Three-year PSU Awards	(0.4)	0.8
2009 Three-year PSU Awards		1.5
2012 CEO Incentive Compensation	1.4	
SLO Awards	0.3	0.4
Other long-term share-based incentive compensation programs	2.3	2.2
Total share-based incentive compensation expense (1)	\$ 4.6	\$ 5.8

(1) The amounts included above do not include the expense related to our U.S. profit sharing contributions made in the form of our common stock as such these contributions are not considered share-based incentive compensation.

The following table shows the estimated amount of total share-based incentive compensation expense expected to be recognized on a straight-line basis over the remaining respective vesting periods by program at March 31, 2012.

	2012	2013	2014	Total
2012 Three-year PSU Awards	\$ 2.2	\$ 2.8	\$ 2.9	\$ 7.9
2011 Three-year PSU Awards	1.9	2.5		4.4
2010 Three-year PSU Awards	2.8			2.8
2012 CEO Incentive Compensation	4.0			4.0
SLO Awards	0.9	0.3		1.2
Other long-term share-based incentive compensation programs	7.8	7.2	3.4	18.4
Total share-based incentive compensation expense (1)	\$ 19.6	\$ 12.8	\$ 6.3	\$ 38.7

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(1) The amounts included above do not include the expense related to our U.S. profit sharing contributions made in the form of our common stock as such these contributions are not considered share-based incentive compensation.

For the awards and 2012 CEO Incentive Compensation included above, the estimated amount of future share-based incentive compensation expense will fluctuate based on: 1) the expected level of achievement of the respective goals and measures considered probable in future quarters, which impacts the number of shares that could be issued; and 2) the future price of our common stock, which impacts the expense related to additional discretionary shares.

The discussion that follows provides further details of our share-based incentive compensation programs.

### *2012 Chief Executive Officer ( CEO ) Incentive Compensation*

On March 27, 2012, the Compensation Committee approved the recommendation of William V. Hickey, our Chief Executive Officer, to place a substantial portion of his compensation at risk by reducing his base salary to \$100,000 in 2012 and granting him most of his 2012 compensation as long-term incentive pay in the form of an equity award tied to the achievement of financial goals related to the success of the Diversy transaction. The Compensation Committee determined that Mr. Hickey would not participate in the annual incentive and long-term incentive programs applicable to the Company's other executive officers. Instead, Mr. Hickey was granted a special award of performance share units. The target amount of Mr. Hickey's award was set at the number of performance share units equal to \$5 million divided by the closing price of our common stock on the grant date of \$19.72, rounded up to the next whole share.

The primary metrics for Mr. Hickey's performance share units award are 2012 consolidated adjusted EBITDA, weighted at 70%, and 2012 net debt reduction from operations, weighted at 30%. To ensure that achievement of consolidated adjusted EBITDA represents the performance of the core business, non-U.S. GAAP adjusted EBITDA is derived from our U.S. GAAP net earnings by adjusting for specific items approved by the Compensation Committee, including restructuring charges, acquisition related expenses, integration costs and other income/(expense) as included in our condensed consolidated statements of operations. These performance goals are outlined in further detail in the Proxy Statement for our 2012 Annual Meeting of Stockholders.

The expense included in the table above was calculated using a grant date common stock share price of \$19.72 per share on March 27, 2012 and is based on management's estimate as of March 31, 2012 of the level of probable achievement of the performance goals and measures, which was determined to be at the target level, or 100% achievement (273,834 shares). Mr. Hickey will also receive a cash payment in the amount of dividends (without interest) that would have been paid from the beginning of 2012 until shares that he has earned are issued to him.

Due to Mr. Hickey's retirement eligibility at grant date, the total expense related to these awards will be recognized on a straight-line basis in 2012.

### *The Performance Share Unit Awards*

As part of our long term incentive program adopted in 2008, during the first 90 days of each year, the Organization and Compensation Committee of our Board of Directors, or Compensation Committee, has approved Performance Share Unit (PSU) awards for our executive officers and other selected key executives, which include for each officer or executive a target number of shares of common stock and performance goals and measures that will determine the percentage of the target award that is earned following the end of the performance period. Following the end of the performance period, participants will also receive a cash payment in the amount of the dividends (without interest) that would have been paid during the performance period on the number of shares that they have earned. As of March 31, 2012, we have accrued \$1 million for these dividends in other current liabilities on our condensed consolidated balance sheet.

**Table of Contents***2012 Three-year PSU Awards*

In March 2012, the Compensation Committee approved awards with a three-year performance period beginning January 1, 2012 for the named executive officers other than Mr. Hickey and for other officers and key executives. Mr. Hickey's 2012 Compensation is discussed above under 2012 Chief Executive Officer Incentive Compensation. The Compensation Committee established principal performance goals, which are 1) three-year average return on invested capital ( ROIC ) weighted at 50%, 2) constant dollar growth of net trade sales weighted at 25% and (3) relative total shareholder return ( TSR ) weighted at 25%. These performance goals are outlined in further detail in the Proxy Statement for our 2012 Annual Meeting of Stockholders. The targeted number of shares of common stock that can be earned is 414,226 shares for these 2012 PSU awards. If the threshold level is achieved for any of the performance goals then the number of shares earned for each participant can be increased (if the additional goal mentioned below is achieved) or decreased (if the additional goal mentioned below is not achieved) by up to 10% of the target level at the discretion of the Compensation Committee, or an aggregate of 41,423 shares for all participants. The additional goal is a 2014 safety result of a total recordable incident rate (a workplace safety indicator) ( TRIR ) of 0.90 or better, excluding facilities acquired during the performance period.

The total number of shares to be issued for these awards can range from zero to 200% of the target number of shares depending on the level of achievement of the performance goals and measures, plus or minus the 41,423 additional discretionary shares mentioned above.

The TSR metric is considered a market condition since it is based on achieving a specified return on the price of Sealed Air common stock. Market conditions must be considered in the estimate of the grant-date fair value of the share-based payments. The fair value of this portion of the award was determined using a Monte Carlo simulation and resulted in a value of \$23.40 per share. In addition, the portion of the compensation expense related to the TSR metric will be recognized regardless of whether the market condition is satisfied provided that the requisite service has been provided.

The expense included in the table above was calculated using a grant date common stock share price of \$19.72 per share on March 27, 2012 for the ROIC and net trade sales goals and the Monte Carlo valuation of \$23.40 per share for the TSR goal. The expense calculation is based on management's estimate as of March 31, 2012 of the level of probable achievement of the performance goals and measures, which was determined to be at the target level, or 100% achievement (414,226 shares).

*2011 Three-year PSU Awards*

In March 2011, the Compensation Committee approved awards with a three-year performance period beginning January 1, 2011. The Compensation Committee established principal performance goals, which are 1) three-year cumulative volume growth of net trade sales and 2) three-year average return on invested capital ( ROIC ). These performance goals are outlined in further detail in the Proxy Statement for our 2012 Annual Meeting of Stockholders. The targeted number of shares of common stock that can be earned is 380,617 shares for these 2011 PSU awards. If the threshold level is achieved for either of the two performance goals mentioned above, then the number of shares earned for each participant can be increased (if the additional goal mentioned below is achieved) or decreased (if the additional goal mentioned below is not achieved) by up to 10% of the target level at the discretion of the Compensation Committee, or an aggregate of 38,062 shares for all participants. The additional goal is a 2013 safety result of a total recordable incident rate (a workplace safety indicator) ( TRIR ) of 1.20 or better, excluding facilities acquired during the performance period.

The total number of shares to be issued for these awards can range from zero to 200% of the target number of shares depending on the level of achievement of the performance goals and measures, plus or minus the 38,062 additional discretionary shares mentioned above.

The expense included in the table above was calculated using a grant date common stock share price of \$26.18 per share on March 11, 2011 and is based on management's estimate as of March 31, 2012 of the level of probable achievement of the performance goals and measures, which was determined to be below the target level, or 84% achievement (159,859 shares, net of forfeitures), for the ROIC goal and below the target level, or 67% achievement (127,507 shares, net of forfeitures), for the volume goal.

*2010 Three-year PSU Awards*

In March 2010, the Compensation Committee approved awards with a three-year performance period beginning January 1, 2010. The Compensation Committee established principal performance goals, which are 1) three-year cumulative volume growth of net trade sales and 2) three-year average ROIC. These performance goals are outlined in further detail in the Proxy Statement for our 2011 Annual Meeting of Stockholders. The targeted number of shares of common stock that can be earned is 413,642 shares for these 2010 PSU awards. If the threshold level is achieved for either of the two performance goals mentioned above, then the number of shares earned for each participant can be increased (if the additional goal mentioned below is achieved) or decreased (if the additional goal mentioned below is not achieved) by up to



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10% of the target level at the discretion of the Compensation Committee, or an aggregate of 41,364 shares for all participants. The additional goal is a 2012 safety result of TRIR of 1.20 or better, excluding facilities acquired during the performance period.

The total number of shares to be issued for these awards can range from zero to 200% of the target number of shares depending on the level of achievement of the performance goals and measures, plus or minus the 41,364 additional discretionary shares mentioned above.

The expense included in the table above was calculated using a grant date common stock share price of \$20.88 per share on March 8, 2010 and is based on management's estimate as of March 31, 2012 of the level of probable achievement of the performance goals and measures, which was determined to be at the 166% achievement (343,323, net of forfeitures) for the volume goal and below the target level, or 97% achievement (200,616 shares, net of forfeitures) for the ROIC goal.

### *2009 Three-year PSU Awards*

In February 2012, we issued 1,155,018 shares of common stock for the 2009 three-year PSU awards. These awards were based on the achievement of the operating profit performance goals and measures at the maximum level, or 200% achievement in the three-year performance period of 2009 through 2011. We concurrently acquired 414,210 of these shares of common stock as withholding from employees to satisfy their minimum tax withholding obligations, as provided for in our 2005 contingent stock plan. These acquired shares are held in common stock in treasury at a fair market value of \$9 million.

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*Stock Leverage Opportunity Awards*

Before the start of each performance year, each of our executive officers and other selected key executives is eligible to elect to receive all or a portion of his or her annual cash bonus for that year, in increments of 25% of the annual bonus, as an award of restricted stock or restricted stock units under the 2005 contingent stock plan in lieu of cash. The portion provided as an equity award may be given a premium to be determined by the Compensation Committee each year and will be rounded up to the nearest whole share. The stock price used in the calculation of the number of shares will be the closing sale price of our common stock on the New York Stock Exchange on the first trading day of the performance year. The award will be granted following the end of the performance year and after determination by the Compensation Committee of the amount of the annual bonus award for each executive officer and other selected key executive who has elected to take all or a portion of his or her annual bonus as an equity award, but no later than the March 15 following the end of the performance year.

The equity award will be made in the form of an award of restricted stock or restricted stock units that will vest on the second anniversary of the grant date or earlier in the event of death, disability or retirement from employment with us, and the shares subject to the award will not be transferable by the recipient until the later of vesting or the second anniversary of the grant date. If the recipient ceases to be employed by us before vesting, then the shares will be forfeited, except for certain circumstances following a change in control. The award will be made in the form of restricted stock unless the award would be taxable to the recipient before the shares become transferable by the recipient, in which case the award will be made in the form of restricted stock units. Recipients who hold SLO awards in the form of restricted stock receive dividends. Recipients who hold SLO awards in the form of restricted stock units receive a cash payment in the amount of the dividends (without interest) on the shares they have earned at about the same time that shares are issued to them following the period of restriction. As of March 31, 2012, we have accrued for these dividends in other current liabilities on our condensed consolidated balance sheet and the amount was immaterial.

For 2012, the Compensation Committee set the SLO award premium at 25%. The 2012 SLO target awards comprise an aggregate of 77,731 restricted stock shares and restricted stock units as of March 31, 2012. For 2011, the Compensation Committee set the SLO award premium at 25%. The 2011 SLO awards that were issued on March 9, 2012 comprised an aggregate of 11,212 restricted stock shares and restricted stock units.

We record compensation expense for these awards in marketing, administrative and development expenses on the condensed consolidated statement of operations with a corresponding credit to additional paid-in-capital within stockholders' equity, based on the fair value of the awards at the end of each reporting period, which reflects the effects of stock price changes.

For the three months ended March 31, 2012, compensation expense related to the 2012 SLO awards was recognized based on the extent to which the performance goals and measures for our 2012 annual cash bonuses were considered probable of achievement at March 31, 2012. This expense is being recognized over a fifteen month period on a straight-line basis since a majority of the awards will vest at grant date, which will be no later than March 15, 2013, due to the retirement eligibility provision.

For the three months ended March 31, 2011, compensation expense related to the 2011 SLO awards was recognized based on the extent to which the performance goals and measures for 2011 annual cash bonuses were considered probable of achievement at March 31, 2011. This expense was recognized over a fifteen month period on a straight-line basis since a majority of the awards vested at grant date, which was March 9, 2012, due to the retirement eligibility provision.

***Other Long-term Share-based Incentive Compensation***

Under our 2005 contingent stock plan, the Compensation Committee may grant our employees awards of restricted stock, restricted stock units and cash awards measured by share price as long-term share-based incentive compensation. Our executive officers and other key executives may also receive awards of restricted stock or restricted stock units from time to time.

**Table of Contents****(16) Net (Loss) Earnings Per Common Share**

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

	<b>Three Months Ended March 31,</b>	
	<b>2012</b>	<b>2011</b>
<b>Basic Net (Loss) Earnings Per Common Share:</b>		
<b>Numerator</b>		
Net (loss) earnings available to common stockholders	\$ (6.0)	\$ 59.7
Distributed and allocated undistributed net earnings to non-vested restricted stockholders	(0.1)	(0.4)
<b>Distributed and allocated undistributed net (loss) earnings to common stockholders</b>	<b>(6.1)</b>	<b>59.3</b>
Distributed net earnings dividends paid to common stockholders	(25.1)	(20.7)
<b>Allocation of undistributed net (loss) earnings to common stockholders</b>	<b>\$ (31.2)</b>	<b>\$ 38.6</b>
<b>Denominator(1)</b>		
Weighted average number of common shares outstanding basic	191.9	158.7
<b>Basic net (loss) earnings per common share:</b>		
Distributed net earnings to common stockholders	\$ 0.13	\$ 0.13
Allocated undistributed net earnings to common stockholders	(0.16)	0.24
<b>Basic net (loss) earnings per common share:</b>	<b>\$ (0.03)</b>	<b>\$ 0.37</b>
<b>Diluted Net (Loss) Earnings Per Common Share:</b>		
<b>Numerator</b>		
Distributed and allocated undistributed net (loss) earnings to common stockholders	\$ (6.1)	\$ 59.3
Add: Allocated undistributed net earnings to non-vested restricted stockholders		0.2
Less: Undistributed net earnings reallocated to non-vested restricted stockholders		(0.2)
<b>Net (loss) earnings available to common stockholders diluted</b>	<b>\$ (6.1)</b>	<b>\$ 59.3</b>
<b>Denominator(1) (2)</b>		
Weighted average number of common shares outstanding basic	191.9	158.7
Effect of assumed issuance of Settlement agreement shares		18.0
Effect of non-vested restricted stock and restricted stock units		0.2
Weighted average number of common shares outstanding diluted(2)	191.9	176.9
<b>Diluted net (loss) earnings per common share</b>	<b>\$ (0.03)</b>	<b>\$ 0.34</b>

(1) Includes the weighted-average impact in the three months ended March 31, 2012 of 31.7 million shares issued as part of the total consideration paid in connection with the acquisition of Diversey on October 3, 2012.

(2)

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Provides for the following items if their inclusion is dilutive: (i) the effect of assumed issuance of 18 million shares of common stock reserved for the Settlement agreement as defined in our 2011 Annual Report on Form 10-K and (ii) the effect of non-vested restricted stock and restricted stock units using the treasury stock method. In calculating diluted net earnings per common share for the three months ended March 31, 2012, our diluted weighted average number of common shares outstanding exclude the effect of assumed issuance of Settlement agreement shares and non-vested restricted stock and restricted stock units as the effect was anti-dilutive.

### *PSU Awards*

Since the PSU awards discussed in Note 15, *Stockholders Equity*, include contingently issuable shares that are based on a condition other than earnings or market price, they are included in the diluted weighted average number of common shares outstanding when we meet the performance conditions as of that date. However, in the three months ended March 31, 2012, unvested PSU awards that have met the performance conditions as of March 31, 2012 have not been included in the diluted weighted average number of common shares outstanding for the three months ended March 31, 2012 as the effect was anti-dilutive.

### *SLO Awards*

The shares or units associated with the 2012 SLO awards are considered contingently issuable shares and therefore are not included in the basic or diluted weighted average number of common shares outstanding for the three months ended March 31, 2012. These shares or units, discussed in Note 15, *Stockholders Equity*, will not be included in the common shares outstanding until the final determination of the amount of annual incentive compensation is made in the first quarter of 2013. Once this determination is made, the shares or units will be included in the basic weighted average number of common shares outstanding if the employee is retirement eligible or in the diluted weighted average number of common shares outstanding if the employee is not retirement eligible if the impact to diluted net earnings per common share is dilutive. The numbers of shares or units associated with SLO awards for the 2011 and earlier fiscal years, although nominal for both the three months ended March 31, 2012 and 2011, were not included in the common shares outstanding for the three months ended March 31, 2012 as the effect was anti-dilutive.

**Table of Contents****(17) Other Expense, net**

The following table provides details of other expense, net.

	<b>Three Months Ended March 31,</b>	
	<b>2012</b>	<b>2011</b>
Interest and dividend income	\$ 3.5	\$ 2.0
Net foreign exchange transaction losses	(3.8)	(4.4)
Settlement agreement and related costs	(0.1)	(0.4)
Other, net	(3.7)	(1.1)
<b>Other expense, net</b>	<b>\$ (4.1)</b>	<b>\$ (3.9)</b>

**(18) Related Party Transactions**

Our Diversey segment has related party transactions with S.C. Johnson, Inc. and Unilever and these transactions are not considered material to our condensed consolidated financial statements. For more information regarding our related party transactions, refer to our 2011 Annual Report on Form 10-K.

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

The information in our Management's Discussion and Analysis of Financial Condition and Results of Operations ( MD&A ) should be read together with our condensed consolidated financial statements and related notes set forth in Item 1 of Part I of this quarterly report on Form 10-Q, our MD&A set forth in Item 7 of Part II of our 2011 Annual Report on Form 10-K and our consolidated financial statements and related notes set forth in Item 8 of Part II of our Form 10-K. See Part II, Item 1A, Risk Factors and Cautionary Notice Regarding Forward-Looking Statements, below, and the information referenced therein, for a description of risks that we face and important factors that we believe could cause actual results to differ materially from those in our forward-looking statements. All amounts and percentages are approximate due to rounding and all dollars are in millions, except per share amounts. When we cross-reference to a Note, we are referring to our Notes to Condensed Consolidated Financial Statements, unless the context indicates otherwise.

#### **Cautionary Notice Regarding Forward-Looking Statements**

This report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 concerning our business, consolidated financial condition and results of operations. All statements other than statements of historical facts included in this report regarding our strategies, prospects, financial condition, costs, plans and objectives are forward-looking statements. The SEC encourages companies to disclose forward-looking statements so that investors can better understand a company's future prospects and make informed investment decisions. Some of our statements in this report, in documents incorporated by reference into this report and in our future oral and written statements may be forward-looking. These statements reflect our beliefs and expectations as to future events and trends affecting our business, our consolidated financial condition and results of operations. These forward-looking statements are based upon our current expectations concerning future events and discuss, among other things, anticipated future financial performance and future business plans. Forward-looking statements are necessarily subject to risks and uncertainties, many of which are outside our control, which could cause actual results to differ materially from these statements. Forward-looking statements can be identified by such words as anticipates, believes, plan, assumes, could, should, estimates, expects, intends, potential, seek, predict, may, will and similar expressions. Examples of forward-looking statements include projections regarding our 2012 outlook EPS guidance and other projections relating to our financial performance such as those in the Components of Change in Net Sales and Cost of Sales sections of our MD&A.

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

#### **Non-U.S. GAAP Information**

In our MD&A, we present financial information in accordance with U.S. GAAP. We also present financial information that does not conform to U.S. GAAP, which we refer to as non-U.S. GAAP, as our management believes it is useful to investors. In addition, non-U.S. GAAP measures are used by management to review and analyze our operating performance and, along with other data, as internal measures for setting annual budgets and forecasts, assessing financial performance, providing guidance and comparing our financial performance with our peers. The non-U.S. GAAP information has limitations as an analytical tool and should not be considered in isolation from or as a substitute for U.S. GAAP information. It does not purport to represent any similarly titled U.S. GAAP information and is not an indicator of our performance under U.S. GAAP. Further, non-U.S. GAAP financial measures that we present may not be comparable with similarly titled measures used by others. Investors are cautioned against placing undue reliance on these non-U.S. GAAP measures. Further, investors are urged to review and consider carefully the adjustments made by management to the most directly comparable U.S. GAAP financial measure to arrive at these non-U.S. GAAP financial measures.

Our management will assess our financial results, such as gross profit, operating profit and diluted net earnings per common share ( EPS ), both on a U.S. GAAP basis and on an adjusted non-U.S. GAAP basis. Examples of some other supplemental financial metrics our management will also use to assess our financial performance include Earnings before Interest Expense, Taxes, Depreciation and Amortization ( EBITDA ), Adjusted EBITDA, Adjusted EPS, Adjusted Cash EPS and Free Cash Flow. These non-U.S. GAAP financial measures provide management with additional means to understand and evaluate the core operating results and trends in our ongoing business by eliminating certain one-time expenses and/or gains (which may not occur in each period presented) and other items that management believes might otherwise make comparisons of our ongoing business with prior periods and peers more difficult, obscure trends in ongoing operations or reduce management's

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ability to make useful forecasts. Our non-U.S. GAAP financial measures may also be considered in calculations of our performance measures set by the Organization and Compensation Committee of our Board of Directors for purposes of determining incentive compensation.

The non-U.S. GAAP financial metrics mentioned above exclude items we consider unusual or special items and also exclude their related tax effects. We evaluate the unusual or special items on an individual basis. Our evaluation of whether to exclude an unusual or special item for purposes of determining our non-U.S. GAAP financial measures considers both the quantitative and qualitative aspects of the item, including, among other things (i) its nature, (ii) whether or not it relates to our ongoing business operations, and (iii) whether or not we expect it to occur as part of our normal business on a regular basis.

Another non-U.S. GAAP financial metric we present is our core income tax rate or provision ( core tax rate ). Our core tax rate is a measure of our U.S. GAAP effective tax rate, adjusted to exclude the tax impact from the special items that are excluded from our Adjusted net earnings and Adjusted EPS metrics. We consider our core tax rate as an indicator of the taxes on our core business. The tax situation and effective tax rate in the specific countries where the excluded or special items occur will determine the impact (positive or negative) to our core tax rate.

In our Highlights of Financial Performance, Net Sales by Segment Reporting Structure, Net Sales by Geographic Region and in some of the discussions and tables that follow, we exclude the impact of foreign currency translation when presenting net sales information, which we define as constant dollar. Changes in net sales excluding the impact of foreign currency translation are non-U.S. GAAP financial measures. As a worldwide business, it is important that we take into account the effects of foreign currency translation when we view our results and plan our strategies. Nonetheless, we cannot control changes in foreign currency exchange rates. Consequently, when our management looks at our financial results to measure the core performance of our business, we exclude the impact of foreign currency translation. We also may exclude the impact of foreign currency translation when making incentive compensation determinations. As a result, our management believes that these presentations are useful internally and may be useful to investors.

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### **Recent Events**

#### *Dividends*

On April 19, 2012, our Board of Directors declared a quarterly cash dividend of \$0.13 per common share. This dividend is payable on June 15, 2012 to stockholders of record at the close of business on June 1, 2012. The estimated amount of this dividend payment is \$25 million based on 194 million shares of our common stock issued and outstanding as of April 30, 2012.

On February 16, 2012, our Board of Directors declared a quarterly cash dividend of \$0.13 per common share, which was paid on March 16, 2012 to stockholders of record at the close of business on March 2, 2012. We used \$25 million of available cash to pay this quarterly cash dividend.

#### *Acquisition of Diversey*

On October 3, 2011, we completed the acquisition of Diversey. The financial results presented in this MD&A include the financial results of Diversey for the three months ended March 31, 2012. See Note 1, Organization and Basis of Presentation, and Note 3, Acquisition of Diversey Holdings, Inc., for further details.

### **2012 Outlook**

We continue to anticipate our 2012 Adjusted EPS to be in the range of \$1.50 per share to \$1.60 per share.

Our Adjusted EPS range reflects the following revised or updated assumptions:

net sales in the lower end of the range of \$8.2 billion to \$8.3 billion, reflecting current economic conditions in Europe. Our full year net sales assumptions include 3% - 4% constant dollar sales growth in our Food Packaging and Food Solutions segments, 4% - 5% constant dollar sales growth in our Protective Packaging segment and 3% constant dollar sales growth in our Diversey segment compared with legacy Diversey 2011 net sales;

non-cash, share-based compensation of \$55 million, which now includes an anticipated \$30 million for our 2012 U.S. profit sharing contribution in Company stock;

a core tax rate of 27%, resulting from a more favorable mix of pre-tax net earnings on an Adjusted EPS basis; and

cost synergies from our 2011-2014 Integration and Optimization Program of \$70 million in 2012 (See 2011-2014 Integration and Optimization Program below).

Our Adjusted EPS outlook continues to exclude the accretive impact of the payment of the Settlement agreement, as the timing of the settlement is unknown. Final payment of the Settlement agreement is expected to be accretive to EPS by approximately \$0.13 annually following the payment date under the assumption of using a substantial portion of cash on hand for the payment and ceasing to accrue interest on the Settlement agreement amount and using a 35% tax rate.

None of the other assumptions outlined in our 2011 Annual Report on Form 10-K for our Adjusted EPS guidance have changed.

### **Highlights of Financial Performance**

Below are highlights of our financial performance.



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	First Quarter of		%
	2012	2011	Change
Net sales	\$ 1,917.5	\$ 1,128.5	70%
Gross profit	\$ 649.7	\$ 309.0	#
<i>As a % of net sales</i>	<i>33.9%</i>	<i>27.4%</i>	
Marketing, administrative and development expenses(1)	478.1	183.5	#
<i>As a % of net sales</i>	<i>24.9%</i>	<i>16.3%</i>	
Amortization expense of intangible assets acquired	34.2	2.5	#
Costs related to the acquisition of Diversey	1.8		#
Restructuring and other charges	48.1		#
Operating profit	\$ 87.5	\$ 123.0	(29)%
<i>As a % of net sales</i>	<i>4.6%</i>	<i>10.9%</i>	
Interest expense	\$ (97.8)	\$ (37.0)	#
Other expense, net	\$ (4.1)	\$ (3.9)	5 %
Net (loss) earnings available to common stockholders	\$ (6.0)	\$ 59.7	#
Net (loss) earnings available to common stockholders-diluted	\$ (6.1)	\$ 59.3	#.
Net (loss) earnings per common share:			
Basic	\$ (0.03)	\$ 0.37	#
Diluted	\$ (0.03)	\$ 0.34	#
Weighted average number of common shares outstanding:			
Basic	191.9	158.7	
Diluted	191.9	176.9	
Non-U.S. GAAP adjusted diluted net earnings per common share(2)	\$ 0.18	\$ 0.34	(47)%

# Denotes a variance greater than or equal to 100%.

(1) The marketing, administrative and development expenses for 2011 have been adjusted to exclude amortization expense of intangible assets acquired to conform to the 2012 presentation.

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

**Table of Contents****Diluted Net Earnings per Common Share**

The following table presents a reconciliation of our U.S. GAAP EPS to our non-U.S. GAAP Adjusted EPS.

	2012		First Quarter of 2011(1)	
	Net Earnings	EPS	Net Earnings	EPS
<b>U.S. GAAP net (loss) earnings and EPS available to common stockholders</b>	<b>\$ (6.0)</b>	<b>\$ (0.03)</b>	<b>\$ 59.7</b>	<b>\$ 0.34</b>
<i>Items excluded from the calculation of adjusted net earnings available to common stockholders and Adjusted EPS, net of taxes when applicable:</i>				
<i>Special items:</i>				
Add: 2011-2014 Integration and Optimization Program restructuring charges	32.3	0.15		
Add: Other restructuring charges	0.6			
Add: 2011-2014 Integration and Optimization Program associated costs	3.8	0.02		
Add: Non-recurring associated costs from legacy Diversey restructuring programs	5.4	0.03		
Add: Costs related to the acquisition of Diversey	1.3	0.01		
Add: European manufacturing facility closure charges			0.2	
<b>Non-U.S. GAAP Adjusted net earnings and EPS</b>	<b>\$ 37.4</b>	<b>\$ 0.18</b>	<b>\$ 59.9</b>	<b>\$ 0.34</b>

(1) Our 2011 Adjusted EPS calculation has been revised to conform to our 2012 presentation. There was no material impact to our Adjusted EPS results due to this revision.

The following table details the tax effect on special items included above:

	First Quarter of	
	2012	2011
2011-2014 Integration and Optimization Program restructuring charges	\$ 15.0	\$
Other restructuring charges	0.2	
2011-2014 Integration and Optimization Program associated costs	2.0	
Non-recurring costs associated from legacy Diversey restructuring programs	2.1	
Costs related to the acquisition of Diversey	0.5	
European manufacturing facility closure charges		0.1
	<b>\$ 19.8</b>	<b>\$ 0.1</b>

**Effective Income Tax Rate**

The following table presents a reconciliation of U.S. GAAP Effective Income Tax Rate to Non-U.S. GAAP Core Tax Rate for the three months ended March 31, 2012.

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	Three Months Ended March 31, 2012		
	U.S. GAAP	Special Items	Non-U.S. GAAP
(Loss) earnings before income tax provision	\$ (14.4)	\$ 63.2	\$ 48.8
Income tax (benefit) provision	(8.4)	19.8	11.4
Net (loss) earnings available to common stockholders	\$ (6.0)	\$ 43.4	\$ 37.4
<i>Effective income tax rate</i>	58.3%	31.3%	23.4%

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See Note 16, Net Earnings Per Common Share, for details on the calculation of our U.S. GAAP basic and diluted EPS.

The discussions that follow provide further details about the material factors that contributed to the changes in our EPS in 2012 compared with 2011.

**Net Sales by Segment Reporting Structure**

The following table presents net sales by our segment reporting structure.

	First Quarter of		%
	2012	2011	Change
Net sales:			
<b>Food Packaging</b>	\$ 488.2	\$ 474.9	3%
<i>As a % of net sales</i>	25.5%	42.1%	
<b>Food Solutions</b>	238.2	228.8	4
<i>As a % of net sales</i>	12.4%	20.3%	
<b>Protective Packaging</b>	345.6	335.1	3
<i>As a % of net sales</i>	18.0%	29.7%	
<b>Diversey</b>	750.9		
<i>As a % of net sales</i>	39.2%	%	
<b>Other</b>	94.6	89.7	5
<i>As a % of net sales</i>	4.9%	7.9%	
<b>Total</b>	\$ 1,917.5	\$ 1,128.5	70%

# Denotes a variance greater than 100%.

**Net Sales by Geographic Region**

The following tables present our net sales by geographic region and the components of change in net sales by geographic region.

	First Quarter of		%
	2012	2011	Change
Net sales:			
<b>U.S.</b>	\$ 647.9	\$ 518.9	25%
<i>As a % of net sales</i>	33.8%	46.0%	
<b>International</b>	1,269.6	609.6	#
<i>As a % of net sales</i>	66.2%	54.0%	
<b>Total net sales</b>	\$ 1,917.5	\$ 1,128.5	70%

First Quarter of 2012	U.S.		International		Total Company	
Volume Units	\$ 10.4	2.0%	\$ 10.4	1.7%	\$ 20.8	1.8%
Volume Acquired businesses, net of (dispositions)	106.5	20.5	645.3	#	751.8	66.6
Product price/mix	12.1	2.3	9.7	1.6	21.8	1.9

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Foreign currency translation			(5.4)	(0.9)	(5.4)	(0.5)
<b>Total</b>	<b>\$ 129.0</b>	<b>24.8%</b>	<b>\$ 660.0</b>	<b>#%</b>	<b>\$ 789.0</b>	<b>69.8%</b>

# Denotes a variance greater than 100%.

*Foreign Currency Translation Impact on Net Sales*

As shown above, 66% of our consolidated net sales in the first three months of 2012 were generated outside the U.S. Since we are a U.S. domiciled company, we translate our foreign currency-denominated net sales into U.S. dollars. Due to the changes in the value of foreign currencies relative to the U.S. dollar, translating our net sales from foreign currencies to U.S. dollars may result in a favorable or unfavorable impact. The most significant currencies that contributed to the translation of our net sales and our other consolidated financial results in the first three months of 2012 were the euro, the Australian dollar, the Brazilian real, the Canadian dollar and the British pound.

In the first quarter of 2012, we experienced an unfavorable foreign currency translation impact on net sales of \$5 million compared with the same period of 2011 due to the strengthening of the U.S. dollar against most of the foreign currencies that contributed to the translation of our net sales mentioned above. This unfavorable impact was mostly due to the strengthening of the U.S. dollar relative to the euro and the Brazilian real.

**Table of Contents****Components of Change in Net Sales**

The following table presents the components of change in net sales by our segment reporting structure as compared to the prior year. We also present the change in net sales excluding the impact of foreign currency translation, a non-U.S. GAAP measure, which we define as constant dollar. We believe using constant dollar measures aids in the comparability between periods.

<b>First Quarter of 2012</b>	<b>Food Packaging</b>		<b>Food Solutions</b>		<b>Protective Packaging</b>		<b>Diversey</b>	<b>Other</b>		<b>Total Company</b>	
Volume Units	\$ 4.5	1.0%	\$ 2.2	1.0%	\$ 9.8	2.9%	\$	% \$ 4.3	4.8%	\$ 20.8	1.8%
Volume Acquired businesses, net of (dispositions)	0.3	0.1					750.9	0.6	0.7	751.8	66.6
Product price/mix(1)	10.7	2.2	7.4	3.2	2.8	0.8		0.9	1.0	21.8	1.9
Foreign currency translation	(2.2)	(0.5)	(0.2)	(0.1)	(2.1)	(0.6)		(0.9)	(1.0)	(5.4)	(0.5)
<b>Total change (U.S. GAAP)</b>	<b>\$ 13.3</b>	<b>2.8%</b>	<b>\$ 9.4</b>	<b>4.1%</b>	<b>\$ 10.5</b>	<b>3.1%</b>	<b>\$ 750.9</b>	<b>% \$ 4.9</b>	<b>5.5%</b>	<b>\$ 789.0</b>	<b>69.8%</b>
Impact of foreign currency translation	\$ 2.2	0.5%	\$ 0.2	0.1%	\$ 2.1	0.6%	\$	% \$ 0.9	1.0%	\$ 5.4	0.5%
<b>Total constant dollar change (Non-U.S. GAAP)</b>	<b>\$ 15.5</b>	<b>3.3%</b>	<b>\$ 9.6</b>	<b>4.2%</b>	<b>\$ 12.6</b>	<b>3.7%</b>	<b>\$ 750.9</b>	<b>% \$ 5.8</b>	<b>6.5%</b>	<b>\$ 794.4</b>	<b>70.3%</b>

- (1) Our product price/mix reported above includes the net impact of our pricing actions and rebates as well as the period-to-period change in the mix of products sold. Also included in our reported product price/mix is the net effect of some of our customers purchasing our products in non-U.S. dollar or euro denominated countries at selling prices denominated in U.S. dollars or euros. This primarily arises when we export products from the U.S. and euro-zone countries. The impact to our reported product price/mix of these purchases in other countries at selling prices denominated in U.S. dollars or euros was not material for the periods included in the tables above.

**Food Packaging Segment Net Sales**

The \$16 million, or 3%, constant dollar increase in net sales in the first quarter of 2012 compared with the same period of 2011 was primarily due to:

favorable product price/mix in the U.S. of \$6 million, or 3%, and in Latin America of \$4 million, or 6%, both from the benefits of pricing actions that were implemented to offset rising raw material costs and formula-based contractual price adjustments;

higher unit volumes in Australia/New Zealand of \$3 million, or 6%, due to higher demand for our fresh dairy packaging products as a result of an increase in dairy customers' production rates and, to a lesser extent, new business gains in this region. Also contributing to this region's higher unit volume results was increased customer production rates for fresh red meat; and

higher unit volumes in Europe of \$2 million, or 3%, mostly due to higher equipment sales.

These favorable drivers were partially offset by lower unit volumes in the U.S. of \$3 million, or 1%, primarily due to lower customer production rates and a customer loss. This customer loss is not considered material to our consolidated net sales.

**Food Solutions Segment Net Sales**

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The \$10 million, or 4%, constant dollar increase in net sales in the first quarter of 2012 compared with the same period of 2011 was primarily due to:

favorable product price/mix in the U.S. of \$4 million, or 4%, and in Australia/New Zealand of \$2 million, or 5%, both from the benefits of pricing actions that were implemented to offset rising raw material costs and formula-based contractual price adjustments; and

higher unit volumes in the U.S. of \$2 million, or 2%, due to an increase in demand for our solutions as a result of higher customer production rates.

**Protective Packaging Segment Net Sales**

The \$13 million, or 4%, constant dollar increase in net sales in the first quarter of 2012 compared with the same period of 2011 was primarily due to higher unit volumes in the U.S. of \$9 million, or 5%, due to the ongoing gradual economic recovery, increased demand for e-commerce-orientated solutions and new solutions.

**Diversey Segment Net Sales**

Reported net sales were \$751 million in the first quarter of 2012 and are included in the year over year comparison as volume acquired businesses, net of (dispositions).



**Table of Contents****Other Net Sales**

The \$6 million, or 7%, constant dollar increase in net sales in the first quarter of 2012 compared with the same period of 2011 was primarily due to higher unit volumes in our Specialty Materials business in the U.S. of \$2 million, or 8%, and in our Medical Applications business in the Asia-Pacific region of \$2 million, or 28%.

**Cost of Sales**

Our primary input costs include raw materials such as polyolefin and other petrochemical-based resins and films, caustic soda, solvents, waxes, phosphates, surfactants, chelates, fragrances and paper and wood pulp products. These raw materials represent approximately one third of our cost of sales. Our other cost of sales inputs include direct and indirect labor, other raw materials and other input costs, including energy-related costs and transportation costs. The costs for our raw materials are impacted by the rise and fall in crude oil and natural gas prices, since they serve as feedstocks utilized in the production of our raw materials. The prices for these feedstocks have been particularly volatile in recent years as a result of changes in global demand. In addition, supply and demand imbalances of intermediate compounds such as benzene and supplier facility outages have impacted resin costs. Although changes in the prices of crude oil and natural gas are indicative of the variations in certain raw materials and energy-related costs, they are not perfect benchmarks. We continue to monitor changes in raw material and energy-related costs as they occur and take pricing actions as appropriate to lessen the impact of cost increases when they occur.

	First Quarter of 2012	First Quarter of 2011	% Change
Cost of sales	\$ 1,267.8	\$ 819.5	55%
<i>As a % of net sales</i>	66.1%	72.6%	

The \$448 million increase in cost of sales in the first quarter of 2012 compared with the same period in 2011 was primarily due to the \$425 million incremental impact of Diversey's cost of sales included in our results in the first quarter of 2012.

**Marketing, Administrative and Development Expenses**

Marketing, administrative and development expense for the first quarter of 2012 and 2011 are included in the table below. The amount for 2011 has been reclassified to conform to the 2012 presentation of these expenses as we now present the amortization of intangible assets acquired as a separate line item on our condensed consolidated statement of operations.

	First Quarter of 2012	First Quarter of 2011	% Change
Marketing, administrative and development expenses	\$ 478.1	\$ 183.5	#%
<i>As a % of net sales</i>	24.9%	16.3%	

The \$295 million increase in marketing, administrative and development expenses in the first quarter of 2012 compared with the same period in 2011 was primarily due to the \$294 million incremental impact of Diversey's marketing, administrative and development expenses included in our results in the first quarter of 2012.

**Amortization Expense of Intangible Assets Acquired**

Amortization expense of intangible assets acquired for the first quarter of 2012 and 2011 were as follows:

	First Quarter of 2012	First Quarter of 2011	% Change
Amortization expense of intangible assets acquired	\$ 34.2	\$ 2.5	#%

The increase in 2012 compared with 2011 was primarily due to the amortization of the intangible assets acquired in connection with the acquisition of Diversey in the fourth quarter of 2011.

**Costs Related to the Acquisition of Diversey**

We recorded \$2 million of transaction and integration costs directly related to the acquisition of Diversey in the first quarter of 2012. These costs primarily consist of professional and consulting fees. As discussed above, we have excluded these costs from our Adjusted EPS calculations in 2012. See Note 3, Acquisition of Diversey Holdings, Inc., for further discussion of the acquisition.

**Restructuring Activities**

***2011-2014 Integration and Optimization Program***

In December 2011, we initiated a restructuring program associated with the integration of the Diversey business. The program primarily consists of (i) reduction in headcount, (ii) consolidation of facilities, and (iii) consolidation and streamlining of certain customer and vendor contracts and relationships. The program is expected to be completed in 2014.

In the first quarter of 2012, we incurred a pre-tax restructuring charge of \$47 million, or \$0.15 on an earnings per share basis. This charge was primarily for severance and termination and benefits costs, of which \$26 million was paid in the quarter. This restructuring charge includes \$7 million related to SARs that were granted as part of the total consideration for the acquisition of Diversey. See Note 15, Stockholders' Equity, for further discussion of SARs. In the first quarter of 2012, we also incurred associated costs for asset impairments of \$5 million, which are included in cost of sales on our condensed consolidated statements of operations and were attributable to our Food Packaging segment. See Note 9, Restructuring Activities, for further discussion of the 2011-2014 Integration and Optimization Program.

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In the first quarter of 2012, we increased the expected estimated cost synergies from the program due to both newly identified opportunities and our ability to accelerate the timing of certain actions under our program. These additional synergies reflect added savings from our existing integration initiatives in supply chain, as well as in administrative functions that benefit from the transition to our planned new business unit structure and the elimination of duplicate roles. We expect the estimated cost synergies to be realized equally in cost of sales and in marketing, administrative and development expenses on our condensed consolidated statements of operations. We expect to recognize a substantial amount of the restructuring costs in 2012 although certain associated costs will be recognized in 2013 and 2014.

The 2011-2014 Integration & Optimization Program is now summarized as:

	First Quarter of 2012	Cumulative through March 31, 2012	Previous 2012 Estimates	Updated 2012 Estimates	Previous 2011-2014 Estimates	Updated 2011-2014 Estimates
Capital expenditures	\$ 1.3	\$ 1.3	\$ 20.0	\$ 20.0	\$ 40.0 50.0	\$ 40.0 50.0
Restructuring charges and associated costs	53.1	106.0	n/a	n/a	165.0 185.0	180.0 200.0
Cash payments	26.2	54.8	100.0	115.0	165.0	180.0
Cost synergies	15.0 (1)	15.0	50.0	70.0	110.0 115.0	125.0 130.0

(1) Cost synergies in the first quarter of 2012 were largely attributed to the Diversey segment. We expect to achieve the estimated cost synergies based on the following:

\$70 million in 2012;

incremental \$45 million, to achieve annual savings of \$115 million in 2013; and

incremental \$10 million to \$15 million, to achieve annual savings of \$125 to \$130 million in 2014.

The actual timing of future costs and cash payments are subject to change due to a variety of factors that may cause a portion of the costs, spending and benefits to occur later expected. In addition, changes in foreign exchange rates may impact future costs, spending and benefits.

**Revenue Synergies**

We continue to target \$70 million of revenue synergies by the end of 2013, largely from expanded access and presence within our food and beverage processing customers' businesses and our broader reach in developing regions. In the first quarter, we continued to secure new, smaller accounts, which resulted in estimated annualized synergy revenue of less than \$10 million, while we continued our efforts to close additional opportunities with medium- and larger-sized customers.

**European Principal Company**

In May 2011, before the acquisition of Diversey, Diversey approved, subject to successful works council consultations, plans to reorganize its European operations to function under a centralized management and supply chain model. We completed the reorganization on May 3, 2012 and the EPC, based in the Netherlands, is now centrally managing Diversey's European operations. Diversey's European subsidiaries are executing sales and distribution locally, and local production companies are acting as toll manufacturers on behalf of the EPC.

As part of the planning for this reorganization, in the first quarter of 2012, we recognized associated costs of \$5 million, which are included in marketing, administrative and development expenses in the condensed consolidated statements of operations.

We anticipate benefits from this reorganization to come from lower overhead costs from a centralized management and supply chain model as well as tax savings. We anticipate additional associated and/or restructuring costs in 2012 and net benefits to begin in 2013. The amount and timing of costs and benefits is subject to change due to a variety of factors such as the overall profitability of Diversey's European business,

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administrative efficiency, and foreign currency exchange translation.

**Operating Profit**

Management evaluates the performance of each reportable segment based on its operating profit, which is detailed in the table below.

	First Quarter of		% Change
	2012	2011	
Food Packaging	\$ 59.9	\$ 62.6	(4)
<i>As a % of Food Packaging net sales</i>	<i>12.3%</i>	<i>13.2%</i>	
Food Solutions	26.5	19.4	37
<i>As a % of Food Solutions net sales</i>	<i>11.1%</i>	<i>8.5%</i>	
Protective Packaging	46.5	40.0	16
<i>As a % of Protective Packaging net sales</i>	<i>13.5%</i>	<i>11.9%</i>	
Diversey	0.8		
<i>As a % of Diversey net sales</i>	<i>0.1%</i>	<i>#</i>	
Other	3.7	1.0	#
<i>As a % of Other net sales</i>	<i>3.9%</i>	<i>1.1%</i>	
Total segments and other	137.4	123.0	12
<i>As a % of net sales</i>	<i>7.2%</i>	<i>10.9%</i>	
Costs related to the acquisition of Diversey	1.8		#
Restructuring and other charges(1)	48.1		#
Total operating profit	\$ 87.5	\$ 123.0	(29)
<i>As a % of net sales</i>	<i>4.6%</i>	<i>10.9%</i>	

# Denotes a variance greater than or equal to 100%.

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

	First Quarter of 2012
Food Packaging	\$ 17.5
Food Solutions	3.5
Protective Packaging	3.3
Diversey	20.7
Other	3.1
Total	\$ 48.1

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The restructuring and other charges in 2012 primarily relate to the 2011-2014 Integration and Optimization Program.

**Food Packaging Segment Operating Profit**

*First Quarter 2012 as compared with First Quarter 2011*

Food Packaging's operating profit declined 4% to \$60 million as compared with \$63 million in the prior period. This decline was primarily due to the associated costs related to the 2011-2014 Integration and Optimization Program of \$5 million mentioned above. Excluding these costs, this segment's operating profit increased \$2 million to \$65 million, or 4% higher than the prior period. This increase was primarily due to the favorable impact of increased net sales discussed above. Also, excluding the associated costs mentioned above, this segment's operating profit was flat as a percentage of net sales, in the first quarter of 2012 as compared with the prior period.

**Food Solutions Segment Operating Profit**

*First Quarter 2012 as compared with First Quarter 2011*

Food Solutions' operating profit increased 37% to \$27 million as compared with \$19 million in the prior period. This increase was primarily due to the favorable impact of increased net sales discussed above, which also contributed to the increase in this segment's operating profit as a percentage of net sales. This segment's operating profit as a percentage of net sales increased to 11.1% from 8.5% in the prior period primarily due to benefits realized from prior pricing actions.

**Protective Packaging Segment Operating Profit**

*First Quarter 2012 as compared with First Quarter 2011*

Protective Packaging's operating profit increased 16% to \$47 million as compared with \$40 million in the prior period. This increase was primarily due to the favorable impact of increased net sales discussed above, which also contributed to the increase in this segment's operating profit as a percentage of net sales. This segment's operating profit as a percentage of net sales increased to 13.5% from 11.9% in the prior period primarily due to benefits realized from prior pricing actions.

**Diversey Segment Operating Profit**

Our Diversey segment reported a \$1 million operating profit in the first quarter of 2012.

In addition to the results of Diversey mentioned above, the segment's operating profit in the first quarter of 2012 reflected the following items:

\$31.4 million of amortization of acquired intangibles;

\$8 million of legacy Diversey non-recurring charges related to prior restructuring programs, including \$5 million of associated costs related to the EPC and \$3 million of associated costs related to a prior legacy Diversey program to realign certain accounting functions as well as cease manufacturing at its primary U.S. manufacturing facility.

**Adjusted Operating Profit**

Management also evaluates our performance based on our consolidated adjusted operating profit, which is included in the table below.

	First Quarter of	
	2012	2011
<b>U.S. GAAP operating profit</b>	<b>\$ 87.5</b>	<b>\$ 123.0</b>
<i>As a % of total net sales</i>	<i>4.6%</i>	<i>10.9%</i>

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<b>Special items(1):</b>		
Add: 2011- 2014 Integration and Optimization Program restructuring charges	47.3	
Add: Other restructuring charges	0.8	
Add: 2011 - 2014 Integration and Optimization Program associated costs	5.8	
Add: Non-recurring associated costs from legacy Diversey restructuring programs	7.5	
Add: Costs related to the acquisition of Diversey	1.8	
Add: European manufacturing facility closure charges		0.3
<b>Total special items</b>	<b>63.2</b>	<b>0.3</b>
<b>Non-U.S. GAAP adjusted operating profit</b>	<b>\$ 150.7</b>	<b>\$ 123.3</b>
<i>As a % of total net sales</i>	<i>7.9%</i>	<i>10.9%</i>

(1) These items represent special items and certain one-time charges principally associated with restructuring programs for both Sealed Air and Diversey. These charges are not part of our ongoing business and are not expected to have a continuing impact on the consolidated statements of operations and therefore have been excluded from our Non-U.S. GAAP operating profit.

**Interest Expense**

Interest expense includes the stated interest rate on our outstanding debt, as well as the net impact of capitalized interest, the effects of interest rate swaps and the amortization of capitalized senior debt issuance costs, bond discounts, and terminated treasury locks.

The following table details our interest expense.

	2012	First Quarter of 2011	% Change
Interest expense on the amount payable for the Settlement agreement	\$ 11.4	\$ 10.8	6
Interest expense on our senior notes:			
5.625% Senior Notes due July 2013	5.2	5.4	(4)
12% Senior Notes due February 2014	3.8	3.7	3
Term Loan A due October 2016(1)	9.9		#
7.875% Senior Notes due June 2017	8.1	8.3	(2)
Term Loan B due October 2018(1)	17.0		#
8.125% Senior Notes due September 2019(1)	15.6		#
8.375% Senior Notes due September 2021(1)	15.9		#
6.875% Senior Notes due July 2033	7.7	7.7	
Other interest expense	4.2	2.0	#
Less: capitalized interest	(1.0)	(0.9)	(11)
<b>Total</b>	<b>\$ 97.8</b>	<b>\$ 37.0</b>	<b>#</b>

# Denotes a variance greater than 100%.

**Table of Contents****Foreign Currency Exchange Gains (Losses) Related to Venezuelan Subsidiary**

Effective January 1, 2010, Venezuela was designated a highly inflationary economy. The foreign currency exchange gains and losses we recorded in 2011 for our Venezuelan subsidiary were the result of two factors: 1) the significant changes in the exchange rates used to settle bolivar-denominated transactions and 2) the significant changes in the exchange rates used to remeasure our Venezuelan subsidiary's financial statements at the balance sheet date. We believe these gains and losses are attributable to the unstable foreign currency environment in Venezuela. See *Venezuela in Foreign Exchange Rates* of Item 7A, *Quantitative and Qualitative Disclosures About Market Risk*, for further discussion on Venezuela.

**Other Expense, net**

See Note 17, *Other Expense, net*, for the components and details of other expense, net.

**Income Taxes**

In the first quarter of 2012, we incurred a loss before income taxes of \$14 million. This loss was reduced by an \$8 million income tax benefit (an effective tax benefit rate of 58.3%). In the first quarter of 2011, we had income before income taxes of \$82 million and an income tax expense of \$22 million (an effective tax rate of 27.1%).

For the first quarter of 2012, our income tax benefit exceeded the statutory U.S. federal income tax rate of 35% because of losses and restructuring charges (see Note 9, *Restructuring Activities*) in jurisdictions, such as the U.S., with high tax rates, while we had earnings in other jurisdictions with low tax rates. We also reached favorable settlements of certain tax disputes during this period. For the first quarter of 2011, our effective income tax rate was lower than the statutory U.S. federal income tax rate of 35% primarily due to our lower net effective income tax rate on foreign earnings, our domestic manufacturing deduction and certain U.S. tax credits, partially offset by state income taxes.

We anticipate earnings for the full year 2012. Therefore, our favorable mix of earnings, losses and restructuring charges will reduce our effective tax rate compared to the statutory U.S. federal income tax rate of 35%. Our effective tax rate may be higher or lower than our rate for 2011 depending on, among other factors, the financial results of Diversey, our mix of foreign earnings and the amount of restructuring charges incurred during the year.

**Liquidity and Capital Resources**

The information in this section sets forth material changes in and updates to material information contained in the *Liquidity and Capital Resources* section of our MD&A set forth in Item 7 of Part II of our 2011 Annual Report on Form 10-K and should be read in conjunction with that discussion.

***Material Commitments and Contingencies******Settlement Agreement and Related Costs***

We recorded a pre-tax charge of \$850 million in 2002, of which \$513 million represents a cash payment that we are required to make (subject to the satisfaction of the terms and conditions of the Settlement agreement) upon the effectiveness of a plan of reorganization in the bankruptcy of W. R. Grace & Co. We did not use cash in any period with respect to this liability.

We currently expect to fund a substantial portion of this payment when it becomes due by using accumulated cash and cash equivalents with the remainder from our committed credit facilities. Our new Credit Facility is available for general corporate purposes, including the payment of the amounts required upon effectiveness of the Settlement agreement. See *Principal Sources of Liquidity* below. The cash payment of \$513 million accrues interest at a 5.5% annual rate, which is compounded annually, from December 21, 2002 to the date of payment. This accrued interest was \$330 million at March 31, 2012 and is recorded in Settlement agreement and related accrued interest on our condensed consolidated balance sheet. The total liability on our condensed consolidated balance sheet was \$843 million at March 31, 2012. In addition, the Settlement agreement provides for the issuance of 18 million shares of our common stock. Since the impact of issuing these shares is dilutive to our EPS, under U.S. GAAP, they are included in our diluted weighted average number of common shares outstanding in our calculation of EPS if the impact of including these shares is dilutive. See Note 16, *Net Earnings Per Common Share*, for details of our calculation of EPS.

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Tax benefits resulting from the payment made under the Settlement agreement were recorded as a \$390 million deferred tax asset on our condensed consolidated balance sheet as of March 31, 2012. This deferred tax asset reflects the cash portion of the Settlement agreement and related accrued interest and the value of the 18 million shares of our common stock at the post-split price of \$17.86 per share, which was the price when the Settlement agreement was reached in 2002. The amount and timing of our future cash tax benefits could vary, depending on the amount of cash we pay and various facts and circumstances at the time of payment under the Settlement agreement, including the price of our common stock, our tax position and the applicable tax codes.

While the Bankruptcy Court and the District Court have confirmed the PI Settlement Plan, parties have appealed or otherwise challenged the PI Settlement Plan and the opinions and orders entered by the Bankruptcy Court and the District Court confirming the PI Settlement Plan. These matters may be subject to further appeal, challenge, and proceedings before the District Court, the Third Circuit Court of Appeals, or other courts. Parties may designate various issues to be considered in challenging the PI Settlement Plan and the opinions and orders entered by the Bankruptcy Court and the District Court, including (without limitation) issues relating to releases and injunctions contained in the PI Settlement Plan. We will continue to review the Grace bankruptcy proceedings (including appeals and other proceedings relating to the PI Settlement Plan or to the opinions and orders entered by the Bankruptcy Court and the District Court confirming the PI Settlement Plan), as well as any amendments or other changes to the PI Settlement Plan or to the opinions and orders entered by the Bankruptcy Court and the District Court confirming the PI Settlement Plan, to verify compliance with the Settlement agreement. We do not know whether or when a final plan of reorganization (whether the PI Settlement Plan or another plan of reorganization) will become effective or whether the final plan will be consistent with the terms of the Settlement agreement.

As mentioned in 2012 Outlook above, our full year 2012 diluted net earnings per common share guidance continues to exclude the payment under the Settlement agreement, as the timing is unknown. Payment under the Settlement agreement is expected to be accretive to our post-payment diluted net earnings per common share by approximately \$0.13 annually. This amount primarily represents the accretive impact on our net earnings from ceasing to accrue any future interest on the settlement amount following the payment.

The information set forth in Item 1 of Part I of this Quarterly Report on Form 10-Q in Note 14, Commitments and Contingencies, under the caption Settlement Agreement and Related Costs is incorporated herein by reference.

### *Cryovac Transaction Commitments and Contingencies*

The information set forth in Item 1 of Part I of this Quarterly Report on Form 10-Q in Note 14, Commitments and Contingencies, under the caption Cryovac Transaction Commitments and Contingencies is incorporated herein by reference.



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*Principal Sources of Liquidity*

We require cash to fund our operating expenses, capital expenditures, interest, taxes and dividend payments and to pay our debt obligations and other long-term liabilities as they come due. Our principal sources of liquidity are cash flows from operations, accumulated cash and amounts available under our existing lines of credit described below, including the Credit Facility, and our accounts receivable securitization program.

We believe that our current liquidity position and future cash flows from operations will enable us to fund our operations, including all of the items mentioned above, and the cash payment under the Settlement agreement should it become payable within the next 12 months.

In connection with the funding of the cash consideration for the acquisition and the repayment of existing indebtedness of Diversey, and to provide ongoing liquidity, on October 3, 2011, we entered into the Credit Facility, which consists of: (a) a multicurrency Term Loan A Facility, (b) a multicurrency Term Loan B Facility and (c) a \$700 million Revolving Credit Facility. Additionally, on October 3, 2011, we completed an offering of \$750 million aggregate principal amount of 8.125% senior notes due 2019 and \$750 million aggregate principal amount of 8.375% senior notes due 2021. See Note 10, Debt and Credit Facilities, for further details.

*Cash and Cash Equivalents*

The following table summarizes our accumulated cash and cash equivalents.

	March 31, 2012	December 31, 2011
Cash and cash equivalents	\$ 538.2	\$ 722.8

See Analysis of Historical Cash Flows below.

*Lines of Credit*

Our Revolving Credit Facility may be used for working capital needs and general corporate purposes, including the payment of the amounts required upon effectiveness of the Settlement agreement. We did not use our Credit Facility in the three months ended March 31, 2012 and there were no amounts outstanding under the Revolving Credit Facility at March 31, 2012 and December 31, 2011. See Note 10, Debt and Credit Facilities, for further details.

*Accounts Receivable Securitization Program*

At March 31, 2012, we had \$93 million available to us under the program, and we did not utilize this program in 2012. See Note 8, Accounts Receivable Securitization Program, for information concerning this program.

*Covenants*

At March 31, 2012, we were in compliance with our financial covenants and limitations, as discussed in Covenants of Note 10, Debt and Credit Facilities.

*Debt Ratings*

Our cost of capital and ability to obtain external financing may be affected by our debt ratings, which the credit rating agencies review periodically. The table below details our credit ratings by rating agency.

000000000000000000	000000000000000000
Moody's	
Investor Services	Standard & Poor's

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Corporate Rating	Ba3	BB
Senior Unsecured Rating	B1	BB
Senior Secured Credit Facility Rating	Ba1	BB+
Outlook	Stable	Stable

These credit ratings are considered to be below investment grade. If our credit ratings are downgraded, there could be a negative impact on our ability to access capital markets and borrowing costs could increase. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the rating organization. Each rating should be evaluated independently of any other rating.

### *Analysis of Historical Cash Flows*

The following table shows the changes in our consolidated cash flows.

	000000	000000
	<b>First</b>	
	<b>Quarter of</b>	
	<b>2012</b>	<b>2011</b>
Net cash (used in) provided by operating activities	\$ (97.3)	\$ 67.2
Net cash used in investing activities	(27.0)	(18.6)
Net cash used in financing activities	(65.2)	(47.3)

## **Table of Contents**

### ***Net Cash (Used in) Provided by Operating Activities***

#### **2012**

Net cash used in operating activities was \$97 million for the first quarter of 2012. Net loss adjusted for non-cash items was \$87 million, which included depreciation and amortization of \$82 million and share-based incentive compensation of \$12 million. Changes in operating assets and liabilities resulted in net cash usage of \$184 million primarily due to the following:

cash used for other liabilities of \$132 million, primarily due to:

a decrease in accrued payroll of \$36 million, primarily due to payments made for our annual incentive compensation plan;

a decrease in accrued interest of \$23 million, primarily due to interest payments of \$116 million made on our outstanding debt, partially offset by accrued interest on our outstanding debt of \$82 million and accrued interest on the Settlement agreement of \$11 million;

a decrease in other liabilities of \$49 million, primarily due to payments of sales and VAT taxes and customer rebates;

a decrease in income taxes payable of \$25 million, primarily due to payments made.

Also contributing to the net cash usage in 2012 was cash used for inventories of \$84 million, primarily due to planned increases in preparation of the launch of our European principal company structure on May 3, 2012 and our normal seasonal increases in our other regions and businesses.

These factors were partially offset by cash generated from receivables of \$76 million primarily due to lower net sales in the first quarter of 2012 as compared with the fourth quarter of 2011.

#### **2011**

Net cash provided by operating activities was \$67 million for the first quarter of 2011 and was primarily attributable to net income adjusted for non-cash items of \$111 million, which included depreciation and amortization of \$36 million and share-based incentive compensation of \$11 million. Changes in operating assets and liabilities resulted in net cash usage of \$44 million primarily due to:

an increase in inventories of \$52 million primarily due to the buildup of inventories in our North American and European food businesses in anticipation of normal seasonal sales increases in the second quarter and the rise in raw material costs. Our days inventory on hand at March 31, 2011 were essentially unchanged as compared with March 31, 2010; and

a decrease in other liabilities of \$40 million due to the funding of our accrued 2010 annual incentive compensation of \$18 million and of our 2010 contribution to our U.S. profit-sharing plan of \$18 million.

These factors were partially offset by:

an increase in accounts payable of \$27 million primarily due to the timing of payments; and

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a decrease in receivables, net, of \$22 million due to declines in customer receivable balances in Europe mainly due to normal seasonal patterns. Our days sales outstanding were essentially unchanged in the first quarter of 2011 as compared with the same period of 2010.

### *Net Cash Used in Investing Activities*

#### **2012**

In the first quarter of 2012, we used net cash of \$27 million for investing activities, which was primarily for capital expenditures.

#### **2011**

In the first quarter of 2011, we used net cash of \$19 million for investing activities, which was primarily for capital expenditures including spending on our facility in Brazil of \$4 million.

### *Net Cash Used in Financing Activities*

#### **2012**

In the first quarter of 2012, we used net cash of \$65 million for financing activities primarily for prepayments of our term loan installments of \$31 million and dividends paid on our common stock of \$25 million.

#### **2011**

In the first quarter of 2011, we used \$47 million of cash and cash equivalents for financing activities primarily due to the following activities:

the payment of quarterly dividends of \$21 million;

the repayment of short-term borrowings of \$14 million; and

the acquisition of 0.4 million shares of common stock with a fair market value of \$12 million that were withheld from employees to satisfy their minimum tax withholding obligations under our 2005 contingent stock plan.

### *Changes in Working Capital*

	000000 March 31, 2012	000000 December 31, 2011	000000 Increase (Decrease)
Working capital (current assets less current liabilities)	\$776.3	\$814.3	\$ (38.0)
Current ratio (current assets divided by current liabilities)	1.3x	1.3x	
Quick ratio (current assets, less inventories divided by current liabilities)	0.9x	1.0x	

The \$38 million, or 5% decrease, in working capital in the first three months of 2012 was primarily due to cash used to pay for non-current items, including the prepayments of our term loan installments and net cash used for investing activities. These factors were offset by net foreign currency translation on working capital of \$25 million.

### *Changes in Stockholders' Equity*

The \$90 million, or 3%, increase in stockholders' equity in the first three months of 2012 was primarily due to net foreign currency translation adjustments of \$108 million, partially offset by dividends paid and accrued on our common stock of \$25 million.

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***Derivative Financial Instruments***

***Interest Rate Swaps***

The information set forth in Item 1 of Part I of this Quarterly Report on Form 10-Q in Note 11, *Derivatives and Hedging Activities*, under the caption *Interest Rate Swaps* is incorporated herein by reference.

***Foreign Currency Forward Contracts***

At March 31, 2012, we were party to foreign currency forward contracts, which did not have a significant impact on our liquidity.

The information set forth in Item 1 of Part I of this Quarterly Report on Form 10-Q in Note 11, *Derivatives and Hedging Activities*, under the caption *Foreign Currency Forward Contracts* is incorporated herein by reference.

For further discussion about these contracts and other financial instruments, see Part I, Item 3, *Quantitative and Qualitative Disclosures about Market Risk*.

***Critical Accounting Policies and Estimates***

There have been no material changes in our critical accounting policies and estimates from those disclosed in our 2011 Annual Report on Form 10-K. For a discussion of our critical accounting policies and estimates, refer to *Management's Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Policies and Estimates* in Part II, Item 7 of our 2011 Annual Report on Form 10-K, which information is incorporated herein by reference.

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**Item 3. Quantitative and Qualitative Disclosures About Market Risk.**

We are exposed to market risk from changes in the conditions in the global financial markets, interest rates, foreign currency exchange rates and commodity prices and the creditworthiness of our customers and suppliers, which may adversely affect our consolidated financial condition and results of operations. We seek to minimize these risks through regular operating and financing activities and, when deemed appropriate, through the use of derivative financial instruments. We do not purchase, hold or sell derivative financial instruments for trading purposes.

**Interest Rates**

From time to time, we may use interest rate swaps, collars or options to manage our exposure to fluctuations in interest rates.

At March 31, 2012, we had outstanding interest rate swaps, but no outstanding collars or options.

The information set forth in Item 1 of Part I of this Quarterly Report on Form 10-Q in Note 11, Derivatives and Hedging Activities, under the caption Interest Rate Swaps is incorporated herein by reference.

See Note 12, Fair Value Measurements and Other Financial Instruments, for details of the methodology and inputs used to determine the fair value of our fixed rate debt. The fair value of our fixed rate debt varies with changes in interest rates. Generally, the fair value of fixed rate debt will increase as interest rates fall and decrease as interest rates rise. A hypothetical 10% increase in interest rates would result in a decrease of \$108 million in the fair value of the total debt balance at March 31, 2012. These changes in the fair value of our fixed rate debt do not alter our obligations to repay the outstanding principal amount or any related interest of such debt.

**Foreign Exchange Rates**

*Operations*

As a large, global organization, we face exposure to changes in foreign currency exchange rates. These exposures may change over time as business practices evolve and could materially impact our consolidated financial condition and results of operations in the future. See our MD&A above for the impacts foreign currency translation had on our operations.

*Venezuela*

Economic events in Venezuela have exposed us to heightened levels of foreign currency exchange risk.

Effective January 1, 2010, Venezuela was designated a highly inflationary economy under U.S. GAAP, and the U.S. dollar replaced the bolivar fuerte as the functional currency for our subsidiaries in Venezuela. Accordingly, all bolivar-denominated monetary assets and liabilities were re-measured into U.S. dollars using the then current exchange rate available to us, and any changes in the exchange rate were reflected in foreign currency exchange gains and losses related to our Venezuelan subsidiaries on the consolidated statement of operations.

As a result of the changes in the exchange rates upon settlement of bolivar-denominated transactions and upon the remeasurement of our Venezuelan subsidiaries financial statements in 2011, we recognized net losses of \$0.2 million in the first quarter of 2011. We recognized a nominal loss in the first quarter of 2012.

For the three months ended March 31, 2012, less than 1% of our consolidated net sales were derived from our businesses in Venezuela and approximately 2% of our consolidated operating profit was derived from our businesses in Venezuela.

The potential future impact to our consolidated financial condition and results of operations for bolivar-denominated transactions will depend on our access to U.S. dollars and on the exchange rates in effect when we enter into, remeasure and settle transactions. Therefore, it is difficult to predict the future impact until each transaction settles at its applicable exchange rate or is remeasured into U.S. dollars.

*Foreign Currency Forward Contracts*

We use foreign currency forward contracts to fix the amounts payable or receivable on some transactions denominated in foreign currencies. A hypothetical 10% adverse change in foreign exchange rates at March 31, 2012 would have caused us to pay approximately \$62 million to terminate these contracts. Based on our overall foreign exchange exposure, we estimate this change would not materially affect our financial

position and liquidity. The effect on our results of operations would be substantially offset by the impact of the hedged items.

Our foreign currency forward contracts are described in Note 11, Derivatives and Hedging Activities, which information is incorporated herein by reference.

We may use other derivative instruments from time to time, such as foreign exchange options to manage exposure to changes in foreign exchange rates and interest rate and currency swaps related to certain financing transactions. These instruments can potentially limit foreign exchange exposure and limit or adjust interest rate exposure by swapping borrowings denominated in one currency for borrowings denominated in another currency. At March 31, 2012, we had no foreign exchange options or interest rate and currency swap agreements outstanding.

#### *Outstanding Debt*

Our outstanding debt is generally denominated in the functional currency of the borrower. We believe that this enables us to better match operating cash flows with debt service requirements and to better match the currency of assets and liabilities. The amount of outstanding debt denominated in a functional currency other than the U.S. dollar was \$670 million at March 31, 2012 and \$674 million at December 31, 2011.

#### **Customer Credit**

We are exposed to credit risk from our customers. In the normal course of business we extend credit to our customers if they satisfy pre-defined credit criteria. We maintain an allowance for doubtful accounts for estimated losses resulting from the failure of our customers to make required payments. An additional allowance may be required if the financial condition of our customers deteriorates. The allowance for doubtful accounts is maintained at a level that management assesses to be appropriate to absorb estimated losses in the accounts receivable portfolio.

Our customers may default on their obligations to us due to bankruptcy, lack of liquidity, operational failure or other reasons. Our provision for bad debt expense was \$2 million for the first quarters of 2012 and 2011. The allowance for doubtful accounts was \$19 million at March 31, 2012 and \$16 million at December 31, 2011.

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**Item 4. Controls and Procedures.**

**Disclosure Controls and Procedures**

We maintain disclosure controls and procedures, as defined in Rule 13a-15 under the Securities Exchange Act of 1934, as amended, that are designed to ensure that information required to be disclosed in our reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that our employees accumulate this information and communicate it to our management, including our Chief Executive Officer (our principal executive officer) and our Chief Financial Officer (our principal financial officer), as appropriate, to allow timely decisions regarding the required disclosure. In designing and evaluating the disclosure controls and procedures, our management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily must apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

**Evaluation of Disclosure Controls and Procedures**

As of the end of the period covered by this report, we carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures under Rule 13a-15. Our management, including our Chief Executive Officer and Chief Financial Officer, supervised and participated in this evaluation. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level.

**Changes in Internal Control over Financial Reporting**

There has not been any change in our internal control over financial reporting during the quarter ended March 31, 2012 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.



**Table of Contents****PART II. OTHER INFORMATION****Item 1. Legal Proceedings.**

The information set forth in Item 1 of Part I of this Quarterly Report on Form 10-Q in Note 14, Commitments and Contingencies, which is incorporated herein by reference. See also Part I, Item 3, Legal Proceedings, of our Annual Report on Form 10-K for the fiscal year ended December 31, 2011 as well as the information incorporated by reference in that item.

**Item 1A. Risk Factors.**

See Part I, Item 1A, Risk Factors, of our Annual Report on Form 10-K for the fiscal year ended December 31, 2011. Except as required by the federal securities law, we undertake no obligation to update or revise any risk factor, whether as a result of new information, future events or otherwise.

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

(a) In February 2012, we transferred 930,089 shares of our common stock, par value \$0.10 per share, to our profit-sharing plan as part of our 2011 contribution to the plan. The issuance of such shares to the plan was not registered under the Securities Act of 1933, as amended, because such transaction did not involve an offer or sale of securities under Section 2(a)(3) of the Securities Act.

**(c) Issuer Purchases of Equity Securities**

The table below sets forth the total number of shares of our common stock, par value \$0.10 per share, that we repurchased in each month of the quarter ended March 31, 2012, the average price paid per share and the maximum number of shares that may yet be purchased under our publicly announced plans or programs.

Period	Total Number of Shares Purchased (1) (a)	Average Price Paid Per Share (b)	Total Number of	
			Share Purchased As Part of Publicly Announced Plans or Programs (c)	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs (d)
Balance as of December 31, 2011		\$		15,546,142
January 1, 2012 through January 31, 2012	7,050			15,546,142
February 1, 2012 through February 29, 2012	422,901			15,546,142
March 1, 2012 through March 31, 2012	67,074			15,546,142
<b>Total</b>	497,025	\$		15,546,142

- (1) We did not purchase any shares during the quarter ended March 31, 2012 pursuant to our publicly announced program (described below). We did acquire shares by means of (a) shares withheld from awards under our 2005 contingent stock plan pursuant to the provision thereof that permits tax withholding obligations or other legally required charges to be satisfied by having us withhold shares from an award under that plan and (b) shares reacquired pursuant to the forfeiture provision of our 2005 contingent stock plan. (See table below.) We report price calculations in column (b) in the table above only for shares purchased as part of our publicly announced program, when applicable, including commissions. For shares withheld for tax withholding obligations or other legally required charges, we withhold shares at a price equal to their fair market value. We do not make payments for shares reacquired by the Company pursuant to the forfeiture provision of

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the 2005 contingent stock plan as those shares are simply forfeited.

Period	Average withholding price			Total
	Shares withheld for tax obligations and charges (a)	for shares in column a (b)	Forfeitures under 2005 Contingent Stock Plan (c)	
January 2012		\$	7,050	7,050
February 2012	422,901	20.50		422,901
March 2012	66,074	19.55	1,000	67,074
<b>Total</b>	488,975		8,050	497,025

On August 9, 2007, we announced that our Board of Directors had approved a share repurchase program authorizing us to repurchase in the aggregate up to 20 million shares of our issued and outstanding common stock (described further under the caption, "Repurchases of Capital Stock," in Management's Discussion and Analysis of Financial Condition and Results of Operations in Part II Item 7 of our Annual Report on Form 10-K). This program has no set expiration date. This program replaced our prior share repurchase program, which we terminated at that time.

**Table of Contents****Item 6. Exhibits.**

<b>Exhibit Number</b>	<b>Description</b>
3.1	Unofficial Composite Amended and Restated Certificate of Incorporation of the Company as currently in effect. (Exhibit 3.1 to the Company's Registration Statement on Form S-3, Registration No. 333-108544, is incorporated herein by reference.)
3.2	Amended and Restated By-Laws of the Company as currently in effect. (Exhibit 3.1 to the Company's Current Report on Form 8-K, Date of Report May 20, 2009, File No. 1-12139, is incorporated herein by reference.)
10.1	Form of Sealed Air Corporation Performance Share Units Award Grant 2012-2014.
10.2	Form of Sealed Air Corporation Performance Share Units Award Grant 2012 to the Chief Executive Officer.
10.3	Fees to be paid to the Company's Non-Employee Directors - 2012. (Exhibit 10.18 to the Company's Annual Report on Form 10-K for the year ended December 31, 2011, is incorporated herein by reference.)
31.1	Certification of William V. Hickey pursuant to Rule 13a-14(a), dated May 10, 2012.
31.2	Certification of Tod S. Christie pursuant to Rule 13a-14(a), dated May 10, 2012.
32	Certification of William V. Hickey and Tod S. Christie, pursuant to 18 U.S.C. § 1350, May 10, 2012.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase

In accordance with Rule 406T of Regulation S-T, the XBRL related information in Exhibit 101 shall not be deemed to be filed for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section, and shall not be deemed to be filed or part of any registration statement or other document filed for purposes of Sections 11 or 12 of the Securities Act or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

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**SIGNATURE**

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

Sealed Air Corporation

Date: May 10, 2012

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

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