SEALED AIR CORP/DE
Form 10-Q
August 07, 2009

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2009

Or

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

For the transition period from to

Commission File Number: 1-12139

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 ý No o

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

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

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

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

There were 158,776,831 shares of the registrant's common stock, par value $0.10 per share, issued and outstanding as of July 31, 2009.

SEALED AIR CORPORATION AND SUBSIDIARIES
FORM 10-Q
FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2009

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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)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Net sales:				
Food Packaging	$ 448.7	$ 518.9	$ 872.7	$ 987.2
Food Solutions	220.2	259.4	425.4	495.1
Protective Packaging	281.8	391.6	561.9	764.5
Other	77.3	108.9	156.5	209.4
Total net sales	1,028.0	1,278.8	2,016.5	2,456.2
Cost of sales	739.9	948.6	1,442.7	1,820.9
Gross profit	288.1	330.2	573.8	635.3
Marketing, administrative and development expenses	169.3	203.3	335.5	389.7
Restructuring and other charges	0.7	0.5	0.3	2.5
Operating profit	118.1	126.4	238.0	243.1
Interest expense	(37.8)	(30.3)	(72.7)	(65.7)
Impairment of available-for-sale securities		(10.0)		(10.0)
Other income (expense), net	1.6	(2.1)	(1.8)	(1.9)
Earnings before income tax provision	81.9	84.0	163.5	165.5
Income tax provision	21.4	21.4	44.9	42.1
Net earnings available to common stockholders	$ 60.5	$ 62.6	$ 118.6	$ 123.4
Net earnings per common share:				
Basic	$ 0.38	$ 0.39	$ 0.75	$ 0.77
Diluted	$ 0.33	$ 0.34	$ 0.65	$ 0.67
Dividends paid per common share	$ 0.12	$ 0.12	$ 0.24	$ 0.24
Weighted average number of common shares outstanding:				
Basic	157.3	158.0	157.0	158.9
Diluted	188.6	189.0	188.3	189.8

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)

	June 30, 2009 (Unaudited)	December 31, 2008
Assets		
Current assets:		
Cash and cash equivalents	$ 789.2	$ 128.9
Receivables, net of allowance for doubtful accounts of $17.9 in 2009 and $19.5 in 2008	677.8	682.8
Inventories	529.3	564.3
Other current assets	305.7	296.7
Total current assets	2,302.0	1,672.7
Property and equipment, net	1,037.2	1,051.4
Goodwill	1,949.2	1,938.1
Non-current investments available-for-sale securities	17.0	10.7
Other assets, net	330.8	313.1
Total assets	$ 5,636.2	$ 4,986.0
Liabilities and stockholders' equity		
Current liabilities:		
Short-term borrowings	$ 46.5	$ 37.6
Current portion of long-term debt	436.9	151.5
Accounts payable	218.6	277.2
Settlement agreement and related accrued interest	727.3	707.8
Accrued restructuring costs	25.3	49.4
Other current liabilities	409.2	398.7
Total current liabilities	1,863.8	1,622.2
Long-term debt, less current portion	1,565.2	1,289.9
Other liabilities	136.1	148.3
Total liabilities	3,565.1	3,060.4
Commitments and contingencies		
Stockholders' equity		
Preferred stock, $0.10 par value per share, 50,000,000 shares authorized; no shares issued in 2009 and 2008		
Common stock, $0.10 par value per share, 400,000,000 shares authorized; shares issued: 168,457,681 in 2009 and 168,111,815 in 2008; shares outstanding: 158,703,881 in 2009 and 157,882,527 in 2008	16.8	16.8
Common stock reserved for issuance related to asbestos Settlement, $0.10 par value per share, 18,000,000 shares in 2009 and 2008	1.8	1.8
Additional paid-in capital	1,102.2	1,102.5
Retained earnings	1,444.6	1,364.3
Common stock in treasury, 9,753,800 shares in 2009 and 10,229,288 shares in 2008	(363.6)	(383.2)
Accumulated other comprehensive loss, net of taxes:		
Unrecognized pension items	(56.6)	(60.2)
Cumulative translation adjustment	(84.1)	(122.4)

Unrealized gains on available-for-sale securities	3.9	
Unrealized gains on derivative instruments	4.4	5.0
Total accumulated other comprehensive loss, net of taxes	(132.4)	(177.6)
Total parent company stockholders' equity	2,069.4	1,924.6
Noncontrolling interests	1.7	1.0
Total stockholders' equity	2,071.1	1,925.6
Total liabilities and stockholders' equity	$ 5,636.2	$ 4,986.0

See accompanying Notes to Condensed Consolidated Financial Statements.

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SEALED AIR CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(In millions)

	Six Months Ended June 30, 2009	Six Months Ended June 30, 2008
Cash flows from operating activities:		
Net earnings available to common stockholders	$ 118.6	$ 123.4
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	88.3	87.7
Amortization of senior debt related items and other	0.4	0.9
Impairment of available-for-sale securities		10.0
Deferred taxes, net	(9.6)	(8.9)
Net (gain) on disposals of property and equipment and other	(1.7)	(0.2)
Changes in operating assets and liabilities, net of effects of businesses acquired and disposed:		
Receivables, net	96.4	(24.7)
Accounts receivable securitization program	(80.0)	135.0
Inventories	48.2	(44.2)
Other current assets	(15.3)	(23.0)
Other assets, net	10.5	2.0
Accounts payable	(60.2)	(9.1)
Income taxes payable	(18.6)	2.1
Other current liabilities	24.4	(13.7)
Other liabilities	(7.5)	(2.5)
Net cash provided by operating activities	193.9	234.8
Cash flows from investing activities:		
Capital expenditures for property and equipment	(44.1)	(95.7)
Proceeds from sales of property and equipment	1.9	
Businesses acquired in purchase transactions, net of cash and cash equivalents acquired	(0.7)	(2.9)
Other investing activities	(0.9)	(0.1)
Net cash used in investing activities	(43.8)	(98.7)
Cash flows from financing activities:		
Proceeds from long-term debt	701.6	166.1
Payments of long-term debt	(147.6)	(395.3)
Dividends paid on common stock	(38.0)	(38.5)
Payment of debt issuance costs	(7.0)	
Net proceeds from short-term borrowings	10.5	15.4
Repurchases of common stock		(84.7)
Net cash provided by (used in) financing activities	519.5	(337.0)
Effect of foreign currency exchange rate changes on cash and cash equivalents	(9.3)	37.6
Cash and cash equivalents:		
Balance, beginning of period	$ 128.9	$ 430.3
Net change during the period	660.3	(163.3)
Balance, end of period	$ 789.2	$ 267.0

Supplemental cash flow information:				
Interest payments, net of amounts capitalized	$	37.3	$	50.4
Income tax payments	$	72.5	$	59.2
Non-cash items:				
Unrealized gain on investments of auction rate securities	$	6.3	$	
Issuance of shares of the Company's common stock as part of the Company's 2008 employee profit sharing plan contribution	$	5.9	$	

See accompanying Notes to Condensed Consolidated Financial Statements.

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SEALED AIR CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

(In millions)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	**2008**	**2009**	**2008**
Net earnings available to common stockholders	$ 60.5	$ 62.6	$ 118.6	$ 123.4
Other comprehensive income, net of income taxes:				
Recognition of deferred pension items, net of income tax provision of $0.4 for the three months ended June 30, 2009, $0.3 for the three months ended June 30, 2008, $0.8 for the six months ended June 30, 2009 and $0.5 for the six months ended June 30, 2008	1.8	1.5	3.6	2.9
Unrealized losses on derivative instruments, net of income tax benefit of $0.1 for the three months ended June 30, 2009 and 2008 and $0.3 for the six months ended June 30, 2009 and 2008	(0.3)	(0.5)	(0.6)	(0.8)
Recognition of other than temporary impairment of available-for-sale securities, net of income tax benefit of $3.9		6.1		6.1
Unrealized gains (losses) on available-for-sale securities, net of income tax (provision) benefit of $(2.4) for the three and six months ended June 30, 2009, $2.2 for the three months ended June 30, 2008 and $3.0 for the six months ended June 30, 2008	3.9	(3.5)	3.9	(4.8)
Foreign currency translation adjustments	97.2	5.4	38.3	103.4
Comprehensive income, net of income taxes	$ 163.1	$ 71.6	$ 163.8	$ 230.2

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

Sealed Air Corporation and its subsidiaries, or the Company, is a leading global innovator and manufacturer of a wide range of packaging and performance-based materials and equipment systems that serve an array of food, industrial, medical and consumer applications.

The Company conducts substantially all of its business through two direct wholly-owned subsidiaries, Cryovac, Inc. and Sealed Air Corporation (US). These two subsidiaries, directly and indirectly, own substantially all of the assets of the business and conduct operations themselves and through subsidiaries around the world. The Company adopted this corporate structure in connection with the Cryovac transaction. See "Cryovac Transaction," of Note 14, "Commitments and Contingencies," for a description of the Cryovac transaction and related terms used in these Notes to Condensed Consolidated Financial Statements.

Basis of Presentation

The condensed consolidated financial statements include all the accounts of the Company. All significant intercompany transactions and balances have been eliminated in consolidation. In management's opinion, all adjustments, consisting only of normal recurring accruals, necessary for a fair presentation of the Company's condensed consolidated balance sheet as of June 30, 2009 and the condensed consolidated statements of operations for the three and six months ended June 30, 2009 and 2008 have been made. The results set forth in the condensed consolidated statements of operations for the three and six months ended June 30, 2009 are not necessarily indicative of the results to be expected for the full year. All amounts are approximate due to rounding. Certain prior period amounts have been reclassified to conform to the current year's presentation. Reclassifications in the aggregate had an immaterial effect on the Company's condensed consolidated financial statements.

The condensed consolidated financial statements were prepared following 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 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 the condensed consolidated financial statements and accompanying notes. Actual results could differ from these estimates.

The Company is responsible for the unaudited condensed consolidated financial statements and notes included in this document. As these are condensed financial statements, they should be read in conjunction with the audited consolidated financial statements and notes included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2008 and with the information contained in the Company's other publicly-available filings with the SEC.

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SEALED AIR CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

(Unaudited)

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

(2) Recent Accounting Pronouncements

Adopted in the Three Months Ended June 30, 2009

In April 2009, the Financial Accounting Standards Board, or the FASB, issued the following FASB Staff Positions, or FSPs, that provide additional application guidance and enhance disclosure requirements regarding fair value measurements and impairments of securities.

FSP No. FAS 157-4, "Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly," provides guidelines for making fair value measurements more consistent with the principles presented in Statement of Financial Accounting Standards No. 157, "Fair Value Measurements," (SFAS No. 157).

FSP No. FAS 107-1 and APB 28-1, "Interim Disclosures about Fair Value of Financial Instruments," enhances consistency in financial reporting by increasing the frequency of fair value disclosures.

FSP No. FAS 115-2 and FAS 124-2, "Recognition and Presentation of Other-Than-Temporary Impairments," provides additional guidance designed to create greater clarity and consistency in accounting for and presenting impairment losses on securities.

The provisions of these FSPs were adopted by the Company as of June 30, 2009. The Company concluded that the adoption of these FSPs did not have an impact on the Company's consolidated financial position or results of operations or specifically on the Company's determination of the fair value of its investments in auction rate securities. See Note 5, "Available-for-Sale Investments," and Note 12, "Fair Value Measurements," for the additional disclosures about the fair value of the Company's financial instruments.

SFAS No. 165

In May 2009, the FASB issued SFAS No. 165, "Subsequent Events." SFAS No. 165 establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before the date the financial statements are issued or available to be issued. This statement requires companies to reflect in their financial statements the effects of subsequent events that provide additional evidence about conditions at the balance sheet date. Subsequent events that provide evidence about conditions that arose after the balance sheet date should be disclosed if the financial statements would otherwise be misleading. Disclosures should include the nature of the event and either an estimate of its financial effect or a statement that an estimate cannot be made. The Company adopted SFAS No. 165 on June 30, 2009 and has evaluated subsequent events (events occurring after June 30, 2009) for recognition or disclosure in these condensed consolidated financial statements up to August 7, 2009.

SEALED AIR CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

(Unaudited)

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

(2) Recent Accounting Pronouncements (Continued)

Pending Adoption

FSP No. FAS 132(R)-1

In December 2008, the FASB issued FSP 132(R)-1, "Employers' Disclosures about Postretirement Benefit Plan Assets." This FSP provides guidance on an employer's disclosures about plan assets of a defined benefit pension plan or other postretirement plan, including disclosure of how investment allocation decisions are made, major categories of plan assets, inputs and valuation techniques used to measure the fair value of plan assets and concentrations of credit risk. This FSP is effective for fiscal years ending after December 15, 2009. The adoption of this FSP will not impact the Company's consolidated financial position or results of operations as its requirements are disclosure-only in nature.

SFAS No. 166

In June 2009, the FASB issued SFAS No. 166, "Accounting for Transfers of Financial Assets an amendment of FASB Statement No. 140." Among other changes, SFAS No. 166 eliminates the concept of a "qualifying special-purpose entity," changes the requirements for derecognizing financial assets, defines the term participating interest to establish specific conditions for reporting a transfer of a portion of a financial asset as a sale and requires additional disclosures. SFAS No. 166 is effective for the Company beginning January 1, 2010. Earlier application is prohibited. The recognition and measurement provisions of SFAS No. 166 are effective for transfers occurring on or after the effective date. The Company is currently assessing the impact of the adoption of SFAS No. 166 may have on its consolidated financial position and results of operations and specifically the impact it may have on its accounts receivable securitization program.

SFAS No. 167

Also, in June 2009, the FASB issued SFAS No. 167, "Amendments to FASB Interpretation No. 46(R)." SFAS No. 167 changes how a company determines when an entity that is insufficiently capitalized or is not controlled through voting (or similar rights) should be consolidated. The determination of whether a company is required to consolidate an entity is based on, among other things, an entity's purpose and design and a company's ability to direct the activities of the entity that most significantly impact the entity's economic performance. SFAS No. 167 is effective for the Company beginning January 1, 2010. Earlier application is prohibited. The Company is currently assessing the impact of the adoption of SFAS No. 167 may have on its consolidated financial position and results of operations.

SFAS No. 168

In June 2009, the FASB issued SFAS No. 168, "The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles a replacement of FASB Statement No. 162." While SFAS No. 168 is not intended to change accounting principles generally accepted in the United States, it will change the way the Company references these accounting principles in its consolidated financial statements and notes. SFAS No. 168 is effective for the Company beginning

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SEALED AIR CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

(Unaudited)

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

(2) Recent Accounting Pronouncements (Continued)

September 30, 2009. The adoption of SFAS No. 168 will not impact the Company's consolidated financial position or results of operations as its requirements are disclosure-only in nature.

(3) Segments

The following table shows net sales, depreciation and amortization and operating profit by the Company's segment reporting structure.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Net sales:				
Food Packaging	$ 448.7	$ 518.9	$ 872.7	$ 987.2
Food Solutions	220.2	259.4	425.4	495.1
Protective Packaging	281.8	391.6	561.9	764.5
Other	77.3	108.9	156.5	209.4
Total	$1,028.0	$1,278.8	$2,016.5	$2,456.2
Depreciation and amortization:				
Food Packaging	$ 19.4	$ 19.4	$ 39.6	$ 37.2
Food Solutions	8.9	8.4	17.7	16.4
Protective Packaging	10.6	10.8	21.2	25.4
Other	4.9	4.4	9.8	8.7
Total	$ 43.8	$ 43.0	$ 88.3	$ 87.7
Operating profit(1):				
Food Packaging	$ 62.4	$ 57.0	$ 121.0	$ 113.2
Food Solutions	22.4	18.3	44.9	35.2
Protective Packaging	32.5	49.3	66.7	90.7
Other	1.5	2.3	5.7	6.5
Total segments and other	118.8	126.9	238.3	245.6
Restructuring and other charges(2)	0.7	0.5	0.3	2.5
Total	$ 118.1	$ 126.4	$ 238.0	$ 243.1

(1) Before taking into consideration restructuring and other charges.

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SEALED AIR CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

(Unaudited)

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

(3) Segments (Continued)

(2)
The restructuring and other charges by the Company's segment reporting structure were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	**2008**	**2009**	**2008**
Food Packaging	$ 0.8	$ 0.3	$ 0.3	$ 2.2
Food Solutions	0.1	0.2	0.2	0.2
Protective Packaging	(0.2)		(0.2)	0.1
Total	$ 0.7	$ 0.5	$ 0.3	$ 2.5

Restructuring and other charges primarily related to the Company's global manufacturing strategy. See Note 4, "Cost Reduction and Productivity Program and Global Manufacturing Strategy," for further discussion.

The following table shows assets allocated to the Company's reportable segments. Only assets which are identifiable by segment and reviewed by the Company's chief operating decision maker by segment are allocated to the reportable segment assets, which are trade receivables, net, and finished goods inventory, net. All other assets are included in "Assets not allocated." Assets not allocated primarily include goodwill of $1,949.2 million at June 30, 2009 and $1,938.1 million at December 31, 2008 and total property and equipment, net, of $1,037.2 million at June 30, 2009 and $1,051.4 million at December 31, 2008.

	June 30, 2009	December 31, 2008
Assets:		
Trade receivables, net, and finished goods inventory, net		
Food Packaging	$ 440.8	$ 443.1
Food Solutions	219.4	216.6
Protective Packaging	270.2	281.2
Other	60.8	72.5
Total segments and other	991.2	1,013.4
Assets not allocated	4,637.3	3,972.6
Total	$ 5,628.5	$ 4,986.0

Allocation of Goodwill to Reportable Segments

In accordance with SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information," and because the Company's management views goodwill as a corporate asset, the Company does not allocate its goodwill balance to its reportable segments. However, in accordance with the provisions of SFAS No. 142, "Goodwill and Other Intangible Assets" the Company is required to allocate goodwill to each reporting unit in order to perform its annual impairment review of goodwill, which it does during the fourth quarter of the year. See Note 9, "Goodwill and Identifiable

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SEALED AIR CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

(Unaudited)

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

(3) Segments (Continued)

Intangible Assets," for the allocation of goodwill in accordance with the provisions of SFAS No. 142, the changes in the six months ended June 30, 2009 by the Company's segment reporting structure, and the details of the Company's interim goodwill impairment review.

(4) Cost Reduction and Productivity Program and Global Manufacturing Strategy

Cost Reduction and Productivity Program

In the third quarter of 2008, the Company implemented a cost reduction and productivity program. The components of the restructuring accrual, which was primarily for termination benefits, through June 30, 2009 and the accrual balance remaining at June 30, 2009 related to this program are included in the table below. The Company expects to incur additional modest costs associated with this program in the remainder of 2009.

Restructuring accrual at December 31, 2008	$ 43.7
Cash payments made during 2009	(24.7)
Adjustment to accrual for termination benefits	(0.1)
Effect of changes in foreign currency rates	(0.6)
Restructuring accrual at June 30, 2009	$ 18.3

The Company expects to pay $17.0 million of the accrual balance remaining at June 30, 2009 within the next 12 months. This amount is included in other current liabilities on the condensed consolidated balance sheet at June 30, 2009. The remaining accrual of $1.3 million is expected to be paid by the end of 2010 and is included in other liabilities on the condensed consolidated balance sheet at June 30, 2009.

Global Manufacturing Strategy

The Company's global manufacturing strategy, when fully implemented, will expand production in regions where demand for the Company's products and services has been growing significantly. At the same time, the Company is optimizing certain manufacturing platforms in North America and Europe into centers of excellence. The goals of this multi-year program are to expand capacity in growing markets, further improve the Company's operating efficiencies, and implement new technologies more effectively. By taking advantage of new technologies and streamlining production on a global scale, the Company expects to continue to enhance its profitable growth and its global leadership position and produce meaningful savings.

The Company announced the first phase of this multi-year global manufacturing strategy in July 2006. At the end of 2008, the construction phase of the program was substantially complete. The

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SEALED AIR CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

(Unaudited)

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

(4) Cost Reduction and Productivity Program and Global Manufacturing Strategy (Continued)

capital expenditures, associated costs and related restructuring charges and the total amounts incurred since inception of this multi-year strategy are included in the table below.

	Three Months Ended June 30,		Six Months Ended June 30,		Cumulative Through June 30,
	2009	2008	2009	2008	2009
Capital expenditures	$ 5.1	$ 18.8	$ 11.4	$ 27.5	$ 144.1
Associated costs(1)	2.2	1.3	5.3	3.7	27.9
Restructuring and other charges(2)	0.6	0.5	0.5	2.5	32.3

(1)
The associated costs principally include facility start-up costs, which are primarily included in cost of sales on the condensed consolidated statements of operations. These charges by the Company's reporting structure were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Food Packaging	$ 1.8	$ 0.6	$ 4.3	$ 1.4
Food Solutions	0.2	0.4	0.3	0.4
Protective Packaging	0.2	0.4	0.7	1.7
Other		(0.1)		0.2
Total	$ 2.2	$ 1.3	$ 5.3	$ 3.7

(2)
The restructuring and other charges were primarily for termination benefits, the majority of which were related to the Food Packaging segment. These charges were included in restructuring and other charges on the condensed consolidated statements of operations. See Note 3, "Segments," for restructuring and other charges by reportable segment and Other. A reconciliation of the restructuring accrual for the Company's global manufacturing strategy is included below.

The components of the restructuring accrual through June 30, 2009 and the accrual balance remaining at June 30, 2009 were as follows:

Restructuring accrual at December 31, 2008	$ 14.4
Cash payments during 2009	(3.5)
Adjustment to accrual for termination benefits	(0.5)
Effect of changes in foreign currency rates	0.1
Restructuring accrual at June 30, 2009	$ 10.5

The Company expects to pay $8.2 million of the accrual balance remaining at June 30, 2009 within the next 12 months. This amount is included in other current liabilities on the Company's condensed consolidated balance sheet at June 30, 2009. The remaining accrual of $2.3 million is expected to be paid by the end of 2010 and is included in other liabilities on the Company's condensed consolidated balance sheet at June 30, 2009.

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SEALED AIR CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

(Unaudited)

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

(5) Available-for-Sale Investments

The following tables summarize the Company's available-for-sale investments classified as non-current assets that are carried at fair value on the condensed consolidated balance sheets at June 30, 2009 and December 31, 2008:

	Estimated Fair Value at December 31, 2008	Gross Unrealized Gains	Estimated Fair Value at June 30, 2009
Auction rate securities:			
Debt instruments with contractual maturity dates in 2021, 2033, and 2036	$ 7.7	$ 4.5	$ 12.2
Non-cumulative perpetual preferred stock	3.0	1.8	4.8
Total	$ 10.7	6.3	$ 17.0

	Estimated Fair Value at December 31, 2007	Gross Unrealized Gains	Gross Other Than Temporary Impairment	Estimated Fair Value at December 31, 2008
Auction rate securities:				
Debt instruments with contractual maturity dates in 2021, 2033, and 2036	$ 24.0	$ 0.7	$ (17.0)	$ 7.7
Non-cumulative perpetual preferred stock	16.8	3.2	(17.0)	3.0
Total	$ 40.8	$ 3.9	$ (34.0)	$ 10.7

The Company's available-for-sale investments, consisting of auction rate securities at June 30, 2009 and December 31, 2008, are exposed to market risk related to changes in conditions in the U.S. financial markets and in the financial condition of the issuers of these securities. The Company's investment in auction rate securities at June 30, 2009 and December 31, 2008 had an original cost of $44.7 million.

These auction rate securities consisted of two contingent capital securities that were converted into perpetual preferred stock of Ambac Assurance Corporation (AMBAC), the issuer, in December 2008, and three debt instruments issued individually by Primus Financial Products LLC (Primus) (maturity date 2021), River Lake Insurance Company, a wholly-owned subsidiary of Genworth Financial, Inc. (Genworth) (maturity date 2033) and Ballantyne Re Plc (maturity date 2036).

These five securities historically were re-auctioned every twenty-eight days, which had provided a liquid market for them. However, as a result of continuing liquidity concerns affecting capital markets, particularly in the U.S., specifically for asset-backed securities, every auction held by the issuers for these auction rate securities in 2008 and thus far in 2009 failed. In the six months ended June 30, 2009, the Company received interest and dividend payments, totaling approximately $0.8 million, when due.

The Company accounts for these investments as available-for-sale investments and reviews them for impairment in accordance with SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities," and other related guidance issued by the FASB and the SEC.

SEALED AIR CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

(Unaudited)

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

(5) Available-for-Sale Investments (Continued)

As of June 30, 2009, the Company's valuation of all five securities resulted in an unrealized gain of $6.3 million, ($3.9 million, net of taxes), of which $4.3 million was due to the improvement in the credit spread of Genworth. Also, since the fair value did not decline from its amortized cost basis as of June 30, 2009, there was no need to test any of the five securities for other-than-temporary impairment. Further, since it has always been and the Company expects it will continue to be its intent to sell all of its auction rate security investments, there was no impact on the adoption of FSP No. FAS 115-2 and FAS 124-2 for any prior period or future period other-than-temporary impairment losses. See Note 2, "Recent Accounting Pronouncements," for further details of this FSP.

The Company continues to monitor developments in the market for auction rate securities including the specific securities in which it has invested. At June 30, 2009, the securities issuers that were rated by Moody's Investors Service, Inc. had ratings that ranged from Baa1 to Ba3 and ratings by Standard & Poor's, a division of the McGraw-Hill Companies, Inc., that ranged from A to CCC. At June 30, 2009, neither AMBAC nor Primus had a rating by either Moody's or Standard's and Poor's. The Company believes that it has sufficient liquidity to meet its operating cash needs without the sale of these securities.

If credit or liquidity conditions relating to these securities or the issuers worsen, the Company may recognize additional other-than-temporary impairments, which would result in the recognition of additional losses on the condensed consolidated statement of operations.

In July 2009, AMBAC announced that it would discontinue paying the monthly dividends on its outstanding auction market preferred shares beginning August 1, 2009. Based on the information currently available, the Company will record an other-than-temporary loss of approximately $2.0 million in July 2009 and may record additional losses in the third quarter of 2009 for the decline in the estimated fair value of the two perpetual preferred stock investments.

See Note 12, "Fair Value Measurements," for details on the inputs and valuation methodology used to calculate the estimated fair value of these investments.

(6) Accounts Receivable Securitization Program

The Company and a group of its U.S. subsidiaries maintain an accounts receivable securitization program with a bank and an issuer of commercial paper administered by the bank. At June 30, 2009, the maximum purchase limit for receivables interests was $160.0 million and the program has an expiration date of December 2, 2012. This program includes a bank financing commitment that must be renewed annually prior to the expiration date. The bank commitment is scheduled to expire on December 4, 2009. The Company plans to seek an additional 364 day renewal of the bank commitment prior to its expiration. While the bank is not obligated to renew the bank financing commitment, the Company has negotiated annual renewals since the commencement of the program in 2001.

The amounts available from time to time under the program may be less than $160.0 million subject to the level of the eligible assets included in the U.S. accounts receivable portfolio. The level of eligible assets can be impacted by a number of factors, including, but not limited to, accounts receivable balances, the Company's credit rating, the Company's receivables collection experience and

SEALED AIR CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

(Unaudited)

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

(6) Accounts Receivable Securitization Program (Continued)

the creditworthiness of the Company's customers. During 2009, the level of eligible assets available under the program declined due to some of the factors mentioned above. As a result, the amounts available to the Company under the program decreased to approximately $81.0 million at June 30, 2009 from approximately $143.0 million available at December 31, 2008. Although the Company does not believe that these restrictive provisions presently materially restrict its operations, a breach of one or more of these restrictive provisions could result in a further decline in, or the elimination of, amounts available under the program.

At December 31, 2008, the Company had $80.0 million outstanding under this program. In January 2009, the Company utilized an additional $51.0 million available to it under this program. Subsequently, in February 2009, the Company repaid the entire $131.0 million outstanding amount under this program utilizing funds available from its 12% Senior Notes.

The costs associated with the receivables program are reflected in other income (expense), net, in the Company's condensed consolidated statements of operations and were $0.4 million for the six months ended June 30, 2009 and $1.1 million for the six months ended June 30, 2008.

The receivables program contains financial covenants relating to interest coverage and debt leverage similar to those contained in the Company's revolving credit facility. The Company was in compliance with these covenants at June 30, 2009.

(7) Inventories

The following table presents details of the Company's inventories and the reconciliation to inventories at LIFO basis:

	June 30, 2009	December 31, 2008
Inventories (at FIFO, which approximates replacement value):		
Raw materials	$ 92.7	$ 98.7
Work in process	115.8	116.6
Finished goods	371.0	405.0
Subtotal (at FIFO)	579.5	620.3
Reduction of certain inventories to LIFO basis	(50.2)	(56.0)
Total	$ 529.3	$ 564.3

The Company determines the value of non-equipment U.S. inventories by the last-in, first-out or LIFO inventory method. The value of U.S. inventories determined by that method amounted to $123.9 million at June 30, 2009 and $134.9 million at December 31, 2008.

SEALED AIR CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

(Unaudited)

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

(8) Property and Equipment, net

The following table details the Company's property and equipment, net, at June 30, 2009 and December 31, 2008.

	June 30, 2009	December 31, 2008
Land and improvements	$ 48.3	$ 45.4
Buildings	578.3	565.1
Machinery and equipment	2,264.3	2,179.0
Other property and equipment	129.0	130.4
Construction-in-progress	83.9	123.9
	3,103.8	3,043.8
Accumulated depreciation and amortization	(2,066.6)	(1,992.4)
Property and equipment, net	$ 1,037.2	$ 1,051.4

The following table details the Company's interest cost capitalized and depreciation and amortization expense for property and equipment for the three and six months ended June 30, 2009 and 2008.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Interest cost capitalized	$ 2.2	$ 2.6	$ 4.3	$ 5.2
Depreciation and amortization expense for property and equipment	33.5	36.3	68.8	74.2

(9) Goodwill and Identifiable Intangible Assets

Goodwill

The following table details the Company's goodwill balances at June 30, 2009 and December 31, 2008 by the Company's segment reporting structure.

	Balance at December 31, 2008	Goodwill Acquired	Foreign Currency Translation and Other	Balance at June 30, 2009
Food Packaging	$ 381.4	$	$ 2.2	$ 383.6
Food Solutions	147.2		0.8	148.0
Protective Packaging	1,254.7		7.1	1,261.8
Other	154.8	0.5	0.5	155.8
Total	$ 1,938.1	$ 0.5	$ 10.6	$1,949.2

In accordance with SFAS No. 142, the Company tests 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

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SEALED AIR CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

(Unaudited)

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

(9) Goodwill and Identifiable Intangible Assets (Continued)

that indicate the carrying value of goodwill may potentially no longer be recoverable. In the first quarter of 2009, due to a decline in three of the Company's reporting units' forecasted operating results, and to a lesser extent, a decline in the Company's EBITDA (defined as earnings before interest, taxes and depreciation and amortization) multiples and the price of the Company's common stock since December 31, 2008, the Company performed an interim goodwill impairment assessment for these three reporting units at March 31, 2009. The Company completed step one of its interim impairment test and the fair value analysis for goodwill and concluded that there were no impairments present, and accordingly no impairment charge was recorded as of March 31, 2009.

In the second quarter of 2009, due to a further decline in one of the Company's reporting units' forecasted operating results, the Company performed an interim goodwill assessment and completed step one of its interim impairment test and fair value analysis for goodwill related to this reporting unit and concluded that there was no impairment present and accordingly no impairment charge was recorded as of June 30, 2009.

The Company uses a fair value approach to test goodwill for impairment. The Company must recognize a non-cash impairment charge for the amount, if any, by which the carrying amount of goodwill exceeds its implied fair value. The Company derives an estimate of fair values for each of the Company's reporting units using a combination of an income approach and two market approaches, each based on an applicable weighting. The Company assesses the applicable weighting based on such factors as current market conditions and the quality and reliability of the data. Absent an indication of fair value from a potential buyer or similar specific transactions, the Company believes that the use of these methods provides a reasonable estimate of a reporting unit's fair value. Fair value computed by these methods is arrived at using a number of factors, including projected future operating results, anticipated future cash flows, effective income tax rates, comparable marketplace data within a consistent industry grouping, and the cost of capital. There are inherent uncertainties, however, related to these factors and to the Company's judgment in applying them to this analysis. Nonetheless, the Company believes that the combination of these methods provides a reasonable approach to estimate the fair value of the Company's reporting units. Assumptions for sales, earnings and cash flows for the reporting units were consistent among these methods.

The income approach is based upon the present value of expected cash flows. Expected cash flows are converted to present value using factors that consider the timing and risk of the future cash flows. The estimate of cash flows used is prepared on an unleveraged debt-free basis. A discount rate is used that reflects a market-derived weighted average cost of capital. The Company believes that this approach is appropriate because it provides a fair value estimate based upon the reporting unit's expected long-term operating and cash flow performance. The projections are based upon the Company's best estimates of projected economic and market conditions over the related period including growth rates, estimates of future expected changes in operating margins and cash expenditures. Other significant estimates and assumptions include effective income tax rates, terminal value growth rates, terminal value margin rates, future capital expenditures and changes in future working capital.

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Notes to Condensed Consolidated Financial Statements (Continued)

(Unaudited)

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

(9) Goodwill and Identifiable Intangible Assets (Continued)

The Company uses two market approaches. The first market approach estimates the fair value of the reporting unit by applying EBITDA multiples to the reporting unit's operating performance. The EBITDA multiples are derived from comparable publicly-traded companies with similar investment characteristics to the reporting unit. The Company believes that this approach is appropriate because it provides a fair value estimate using multiples from entities with operations and economic characteristics comparable to its reporting units and the Company. The second market approach is based on the publicly traded common shares of the Company and the estimate of fair value of the reporting unit is based on the applicable EBITDA multiples of the Company. The key estimates and assumptions that are used to determine fair value under the two market approaches include trailing and future 12-month EBITDA results, as applicable. Under both market approaches, a control premium is applied to the calculated equity values to adjust the public trading value upward for a 100% ownership interest, where applicable.

The excess of fair value over carrying value for each of the Company's reporting units that had their determination of fair values updated as part of the March 31, 2009 interim goodwill impairment test ranged from approximately 8% to approximately 150%. For the Company's reporting unit that had its determination of fair value updated as part of the June 30, 2009 interim goodwill impairment test, its excess of fair value over carrying value was approximately 18%.

Although the Company determined that there was no goodwill impairment at March 31 and June 30, 2009, the future occurrence of a potential indicator of impairment, such as a decrease in expected earnings, adverse equity market conditions, a decline in current market multiples, a decline in the price of the Company's common stock, a significant adverse change in legal factors or business climate, an adverse action or assessment by a regulator, unanticipated competition, strategic decisions made in response to economic or competitive conditions, or a more-likely-than-not expectation that a reporting unit or a significant portion of a reporting unit will be sold or disposed of, could require an interim assessment for some or all of the reporting units prior to the next required annual assessment. In the event of an adverse change of the natures described above, the Company may be required to recognize a non-cash impairment of goodwill, which could have a material adverse effect on the Company's consolidated financial position and results of operations.

Identifiable Intangible Assets

The following table summarizes the Company's identifiable intangible assets with definite and indefinite useful lives.

	June 30, 2009	December 31, 2008
Gross carrying value	$ 113.1	$ 113.7
Accumulated amortization	(51.1)	(49.5)
Total	$ 62.0	$ 64.2

These identifiable intangible assets are included in other assets, net, on the condensed consolidated balance sheets and include $8.9 million of trademarks that the Company has determined to have an indefinite useful life.

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Notes to Condensed Consolidated Financial Statements (Continued)

(Unaudited)

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

(9) Goodwill and Identifiable Intangible Assets (Continued)

Amortization expense of identifiable intangible assets was $2.9 million for the three months ended June 30, 2009 and $2.4 million for the three months ended June 30, 2008, $5.8 million for the six months ended June 30, 2009 and $4.8 million for the six months ended June 30, 2008. These expenses are included in marketing, administrative and development expenses on the condensed consolidated statements of operations.

Assuming no change in the gross carrying value of identifiable intangible assets from the value at June 30, 2009, the remaining estimated future amortization expense is as follows:

2009	$ 5.6
2010	10.1
2011	7.0
2012	5.5
2013	4.9
Thereafter	20.0
Total	$53.1

(10) Debt and Credit Facilities

The Company's total debt outstanding consisted of the amounts set forth on the following table:

	June 30, 2009	December 31, 2008
Short-term borrowings	$ 46.5	$ 37.6
Current portion of long-term debt:		
6.95% Senior Notes matured May 2009		136.7
3% Convertible Senior Notes redeemed July 2009	431.3	
Other current portion of long-term debt	5.6	14.8
Total current debt	483.4	189.1
5.625% Senior Notes due July 2013, less unamortized discount of $0.6 in 2009 and $0.7 in 2008	399.4	399.3
12.0% Senior Notes due February 2014	300.0	
7.875% Senior Notes due June 2017, less unamortized discount of $8.6 million in 2009	391.4	
6.875% Senior Notes due July 2033, less unamortized discount of $1.5 in 2009 and 2008	448.5	448.5
3% Convertible Senior Notes redeemed July 2009		431.3
Other	25.9	10.8
Total long-term debt, less current portion	1,565.2	1,289.9
Total debt	$2,048.6	$ 1,479.0

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Notes to Condensed Consolidated Financial Statements (Continued)

(Unaudited)

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

(10) Debt and Credit Facilities (Continued)

Senior Notes

3% Convertible Senior Notes due 2033

On July 19, 2009, the Company redeemed all of its $431.3 million of 3% Convertible Senior Notes due 2033 at a redemption price equal to 100.429% of the principal amount of these notes. The total redemption payment of $433.9 million included $0.7 million of accrued and unpaid interest and $1.9 million for the 0.429% call premium. The Company used the $384.3 million of net proceeds from the issuance of 7.875% Senior Notes due June 2017 (see below) plus available cash of $49.6 million to redeem these senior notes. The Company will record a $3.4 million pre-tax loss on the redemption of debt in the third quarter of 2009, representing a write-down of the remaining $1.5 million of debt issuance costs related to the issuance of these senior notes in July 2003 and $1.9 million related to the 0.429% call premium mentioned above.

7.875% Senior Notes due 2017

On June 18, 2009, the Company completed an offering of $400.0 million of senior unsecured notes due 2017 with a coupon of 7.875%. These senior notes were sold to investors at a price of 97.837% of the aggregate principal amount. The net proceeds from this issuance after deducting the discount of $8.7 million and debt issuance costs of $7.0 million were $384.3 million. Accrued interest on these senior notes is payable semi-annually in arrears on June 15 and December 15 of each year, beginning December 15, 2009. These senior notes will rank equally with all of the Company's other unsecured and unsubordinated indebtedness from time to time outstanding.

At any time prior to June 15, 2013, the Company may redeem these senior notes, in whole or from time to time in part, at a redemption price equal to the greater of (i) 101% of the principal amount of these senior notes or (ii) the sum of the present values of the remaining scheduled payments of principal and interest on these senior notes from the redemption date on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate (as defined in the indenture related to these senior notes), plus 50 basis points, plus in either (i) or (ii), any interest accrued but not paid to the date of redemption.

On or after June 15, 2013, the Company may redeem all or a part of these senior notes initially at 103.938% of their principal amount, plus accrued interest, declining ratably to 100% of their principal amount on or after June 15, 2015, plus accrued interest and unpaid interest, on or after June 15, 2015.

In addition, at any time prior to June 15, 2012, the Company may redeem up to 35% of the aggregate principal amount of these senior notes with the proceeds from sales of its equity securities (other than from sales of some types of equity securities such as those that mature or are redeemable) at a redemption price of 107.875% of the principal amount thereof, plus accrued and unpaid interest to the redemption date.

In the event of a change of control under the terms of the indenture, each holder of these senior notes will have the right to require us to repurchase such holder's notes at a price of 101% of their principal amount plus accrued and unpaid interest, if any, to the date of repurchase.

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Notes to Condensed Consolidated Financial Statements (Continued)

(Unaudited)

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

(10) Debt and Credit Facilities (Continued)

These senior notes were exempt from registration in reliance upon Rule 144A and other available exemptions under the Securities Act.

Interest expense related to the 7.875% Senior Notes for the three months ended June 30, 2009 was $1.1 million.

12% Senior Notes

In February 2009, the Company issued $300 million aggregate principal amount of 12% senior unsecured notes due 2014 in a private offering. The notes were sold pursuant to the Note Purchase Agreement dated February 6, 2009 by and among the Company, Davis Selected Advisers, L.P. and subsidiaries of Berkshire Hathaway Inc. As indicated in a Schedule 13G/A filed with the SEC on February 13, 2009, Davis Selected Advisers, L.P. reported beneficial ownership of 57,784,149 shares, or approximately 37%, of the outstanding shares of the Company's common stock.

Upon receipt of these funds, the Company repaid amounts outstanding under its revolving credit facility and its accounts receivable securitization program and retained the balance in cash and cash equivalents on its condensed consolidated balance sheets. Interest expense related to the 12% Senior Notes was $9.0 million in the three months ended June 30, 2009 and $14.4 million in the six months ended June 30, 2009.

6.95% Senior Notes

In May 2009, the Company retired the remaining outstanding 6.95% Senior Notes on their maturity date. The $136.7 million face value of these senior notes, along with $4.7 million of accrued interest, was paid primarily with available cash.

Lines of Credit

The following table summarizes the Company's available committed and uncommitted lines of credit, including the revolving credit facility and the ANZ facility, which are discussed below.

	June 30, 2009	December 31, 2008
Used lines of credit	$ 61.1	$ 46.7
Unused lines of credit	810.0	773.4
Total available lines of credit	$ 871.1	$ 820.1
Available lines of credit committed	$ 609.3	$ 588.8
Available lines of credit uncommitted	261.8	231.3
Total available lines of credit	$ 871.1	$ 820.1

The Company's principal credit lines were committed and consisted of the revolving credit facility and the ANZ facility. The Company is not subject to any material compensating balance requirements in connection with its lines of credit.

SEALED AIR CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

(Unaudited)

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

(10) Debt and Credit Facilities (Continued)

Revolving Credit Facilities

The Revolving Credit Facility The Company has a $500.0 million unsecured multi-currency revolving credit facility, which has an expiration date of July 26, 2012.

The revolving credit facility commitments include $28.0 million provided by Lehman Commercial Paper Inc., a subsidiary of Lehman Brothers Holdings Inc. As a result of the bankruptcy filing of Lehman Brothers Holdings Inc. and certain of its subsidiaries in September 2008, Lehman Commercial Paper Inc. is no longer funding borrowing requests under the revolving credit facility. At June 30, 2009, the total amount available and unused under the revolving credit facility was $472.0 million.

The terms of the revolving credit facility include a requirement that, upon the occurrence of specified events that would adversely affect the Settlement agreement in the Grace bankruptcy proceedings or would materially increase the Company's liability in respect of the Grace bankruptcy or the asbestos liability arising from the Cryovac transaction, the Company would be required to repay any amounts outstanding under the revolving credit facility, or refinance the facility, within 60 days. See "Cryovac Transaction Commitments and Contingencies," of Note 14, "Commitments and Contingencies," for further discussion.

During 2009, the Company borrowed funds from time to time under its revolving credit facility. Interest expense related to the funds drawn in 2009 was $0.2 million for the six months ended June 30, 2009. The related weighted average interest rate for the borrowings was 2.7%. At June 30, 2009 there were no amounts outstanding under this facility.

ANZ Facility The Company has a 170.0 million Australian dollar, dual-currency revolving credit facility due March 2010, which was equivalent to $137.3 million at June 30, 2009. A syndicate of banks made this facility available to a group of the Company's Australian and New Zealand subsidiaries for general corporate purposes, including refinancing of previously outstanding indebtedness. The Company may re-borrow amounts repaid under the ANZ facility from time to time prior to the expiration or earlier termination of the facility. The ANZ facility is scheduled to expire in March 2010. The Company plans to renew or replace the ANZ facility prior to its expiration date. However, the Company cannot give assurance that it will be able to renew or replace this facility. At June 30, 2009 there were no amounts outstanding under this facility.

Covenants

Each issue of the Company's outstanding senior notes imposes limitations on the Company's operations and those of specified subsidiaries. The principal limitations restrict liens, sale and leaseback transactions and mergers, acquisitions and dispositions. The revolving credit facility contains financial covenants relating to interest coverage, debt leverage and minimum liquidity and restrictions on the creation of liens, the incurrence of additional indebtedness, acquisitions, mergers and consolidations, asset sales, and amendments to the Settlement agreement discussed above. The ANZ facility contains financial covenants relating to debt leverage, interest coverage and tangible net worth and restrictions on the creation of liens, the incurrence of additional indebtedness and asset sales, in each case relating to the Australian and New Zealand subsidiaries of the Company that are borrowers under the facility.

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

(10) Debt and Credit Facilities (Continued)

At June 30, 2009 the Company was in compliance with the above financial covenants and limitations, as applicable.

(11) Derivatives and Hedging Activities

The Company reports all derivative instruments on the balance sheet at fair value and establishes criteria for designation and effectiveness of transactions entered into for hedging purposes.

The Company is exposed to market risk, such as fluctuations in foreign currency exchange rates and changes in interest rates. To manage the volatility relating to these exposures, the Company enters into various derivative instruments from time to time under its risk management policies. The Company designates 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 the fair value or cash flows of the underlying exposures being hedged. The Company assesses the initial and ongoing effectiveness of its hedging relationships in accordance with its policy. The Company does not purchase, hold or sell derivative financial instruments for trading purposes. The Company's practice is to terminate derivative transactions if the underlying asset or liability matures or is sold or terminated, or if the Company determines the underlying forecasted transaction is no longer probable of occurring.

Foreign Currency Forward Contracts

The Company is exposed to market risk, such as fluctuations in foreign currency exchange rates. The Company's subsidiaries have foreign currency exchange exposure from buying and selling in currencies other than their functional currencies. The primary purpose of the Company's foreign currency hedging activities is to manage the potential changes in value associated with the amounts receivable or payable on transactions denominated in foreign currencies.

The Company was party to foreign currency forward contracts with an aggregate notional amount of $472.7 million maturing through February 2010 at June 30, 2009 and $386.7 million maturing through November 2008 at June 30, 2008. At December 31, 2008, the Company was party to foreign currency forward contracts with an aggregate notional amount of $421.6 million maturing through March 2009.

These contracts were entered into to minimize the impact of the changes in foreign currencies related to certain foreign currency denominated interest-bearing intercompany loans and receivables and payables. The changes in fair value of these contracts are recognized in other income (expense), net, on the condensed consolidated statements of operations and are largely offset by the remeasurement of the underlying foreign currency denominated items. These contracts had original maturities of less than 12 months.

The estimated fair value of these contracts, which represents the estimated net payments that would be paid or that would be received by the Company in the event of termination of these contracts, based on the then current foreign currency exchange rates, was a net asset of $0.8 million at June 30, 2009. At December 31, 2008, the estimated fair value of these contracts was a net liability of

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(Unaudited)

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(11) Derivatives and Hedging Activities (Continued)

$12.8 million. The related net gains and losses were largely offset by the net gains and losses resulting from the remeasurement of the underlying foreign currency denominated items.

Cash Flow Hedges

In accordance with SFAS No. 133, the Company records gains and losses on derivatives qualifying as cash flow hedges in other comprehensive income, to the extent that these hedges are effective and until it recognizes the underlying transactions in net earnings, at which time it recognizes these gains and losses in other income (expense), net, on the condensed consolidated statements of operations. Other comprehensive income included net unrealized after tax losses of $0.2 million ($0.3 million pre-tax) for the three and six months ended June 30, 2009, $0.2 million ($0.3 million pre-tax) for the three months ended June 30, 2008 and $0.5 million ($0.6 million pre-tax) for the six months ended June 30, 2008. The unrealized amounts in other comprehensive income will fluctuate based on changes in the fair value of open contracts during each reporting period.

Other Derivative Instruments

The Company may use other derivative instruments from time to time, such as foreign exchange options to manage exposure due to foreign exchange rates and interest rate and currency swaps related to access to additional sources of international financing. 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 June 30, 2009, the Company had no foreign exchange options or interest rate and currency swap agreements outstanding.

See Note 12, "Fair Value Measurements," for a discussion of the inputs and valuation techniques used by the Company to determine the fair value of its outstanding derivative instruments.

In accordance with the provisions of SFAS No. 161, the following table details the fair value of the Company's derivative instruments included in the condensed consolidated balance sheets.

	Fair Value of Asset Derivatives(1)		Fair Value of (Liability) Derivatives(1)	
	June 30, 2009	December 31, 2008	June 30, 2009	December 31, 2008
Derivatives designated as hedging instruments under SFAS No. 133:				
Foreign currency forward contracts	$	$	$ (0.3)	$ (0.1)
Derivatives not designated as hedging instruments under SFAS No. 133:				
Foreign currency forward contracts	3.8	14.6	(3.0)	(1.8)
Total	$ 3.8	$ 14.6	$ (3.3)	$ (1.9)

(1) Asset derivatives were included in other current assets and liability derivatives were included in other current liabilities on the condensed consolidated balance sheets.

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Notes to Condensed Consolidated Financial Statements (Continued)

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

(11) Derivatives and Hedging Activities (Continued)

The following table details the effect of the Company's derivative instruments on the condensed consolidated statements of operations.

	Amount of Gain (Loss) Recognized in Net Earnings on Derivatives(1)			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Derivatives not designated as hedging instruments under SFAS No. 133:				
Foreign currency forward contracts	$ 1.5	$ (9.3)	$ (1.3)	$ (6.2)
Foreign currency option contracts				(0.2)
Total	$ 1.5	$ (9.3)	$ (1.3)	$ (6.4)

(1) Amounts are included in other income (expense) on the condensed consolidated statements of operations.

(12) Fair Value Measurements

In determining fair value, the Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible and considers counterparty credit risk in its assessment of fair value.

The following table shows the Company's financial assets and liabilities measured at fair value on a recurring basis by the input levels described in SFAS No. 157 as of June 30, 2009 and December 31, 2008:

June 30, 2009	Total Fair Value	Level 1	Level 2	Level 3
Cash equivalents	$ 7.9	$	$ 7.9	$
Non-current investments available-for-sale securities	$ 17.0	$	$	$ 17.0
Derivative financial net asset:				
Foreign currency forward contracts	$ 0.5	$	$ 0.5	$

December 31, 2008	Total Fair Value	Level 1	Level 2	Level 3

Cash equivalents	$ 32.1	$ 1.9	$ 30.2	$
Non-current investments available-for-sale securities	$ 10.7	$	$	$ 10.7
Derivative financial net asset:				
Foreign currency forward contracts	$ 12.7	$	$ 12.7	$

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(12) Fair Value Measurements (Continued)

The following table shows a reconciliation of the Company's available-for-sale securities, which are measured at fair value on a recurring basis using Level 3 inputs, as of June 30, 2009:

Estimated fair value as of December 31, 2008	$10.7
Unrealized gains recorded in other comprehensive income through June 30, 2009	6.3
Estimated fair value as of June 30, 2009	$17.0

Cash Equivalents

The Company's cash equivalents at June 30, 2009 consisted of investments in money market funds. The Company's cash equivalents at December 31, 2008 included time deposits (fair value determined using Level 1 inputs) and commercial paper (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.

Non-current Investments Available-for-Sale Securities

The Company's non-current investments available-for-sale securities consist of auction rate securities, which are recorded at fair value on the condensed consolidated balance sheets using an income approach valuation technique based on the Company's observations by analysis and interpretation from related securities in secondary markets.

Since these auction rate securities do not currently have readily available or observable prices, the Company used the income approach to determine the fair value of these securities. Consistent with the provisions of SFAS No. 157 and other guidance provided by the FASB and SEC, the Company calculated an estimated fair value for these investments using a bond calculation. The valuation methodology included the following inputs and assumptions:

Maturity The Company's debt instruments investments have stated maturities that exceed 13 years, while the other investments are non-cumulative perpetual preferred stock investments with no maturity dates. The Company's valuation model assumes that auctions of all of the investments will resume or that a financial resolution will otherwise be achieved within the next 10 years (the "workout period").

Coupon All of these investments are variable rate instruments, with interest rates resetting every 28 days based on a pre-determined formula. Since the workout period is assumed to be 10 years, the Company used the 10-year U.S. dollar interest rate swap rate plus an additional issuer credit spread to reflect a fixed coupon for the debt instruments over the 10-year period. The Company's coupon assumptions for its December 31, 2008 fair value valuation included a zero coupon rate for the two perpetual preferred stock investments since AMBAC (the securities' issuer) could have cancelled its dividends on its common stock in December 2008. Since then, the Company has continued to receive all dividend payments on these investments and the Company modified its coupon assumptions in its March 31 and June 30, 2009 fair

SEALED AIR CORPORATION AND SUBSIDIARIES

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(Unaudited)

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

(12) Fair Value Measurements (Continued)

value valuations to include coupon rates for the two perpetual preferred stock investments. As a result of AMBAC's recent announcement to discontinue its dividend payments on these securities beginning August 1, 2009, the Company's coupon assumptions for its July 31, 2009 fair value valuation has been revised to include a zero coupon rate for the two perpetual preferred stock investments.

Yield-to-Maturity The Company used the 10-year U.S. dollar interest rate swap rate plus credit default swap spreads for each issuer. The Company also included an additional liquidity risk premium of 100 basis points in its yield-to-maturity assumption.

As of June 30, 2009, the Company's valuation of all five securities resulted in an unrealized gain of $6.3 million ($3.9 million, net of taxes), of which $4.3 million was due to the improvement in the credit spread of Genworth. The Company's valuation methodology calculations are subjective and involve uncertainties and matters of significant judgment. Changes in assumptions could significantly affect the Company's estimates.

See Note 5, "Available-for-Sale Investments," for additional information.

Derivative Financial Instruments

The Company's foreign currency forward contracts are recorded at fair value on the condensed consolidated balance sheets using the income approach valuation technique based on observable market inputs.

Observable market inputs used in the calculation of the foreign currency forward contracts include foreign currency spot and forward rates. In addition, other pricing data quoted by various banks and foreign currency dealers involving identical or comparable instruments are included. Counterparties to these contracts are rated at least A by Standard & Poor's and A3 by Moody's. None of these counterparties experienced any significant ratings downgrades in the six months ended June 30, 2009. The fair value generally reflects the estimated amounts that the Company 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 in the 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 at carrying value on the Company's consolidated balance sheets include the Company's senior notes. To calculate the fair value of the Company's senior notes at June 30, 2009 and December 31, 2008 the Company utilizes a market approach. Due to their limited investor base and the relatively small face value of each issue of the senior notes, they may not be actively traded on the date the fair value is calculated. Therefore, the Company utilizes prices and other relevant information generated by market transactions involving similar securities, reflecting U.S. Treasury yields

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

(12) Fair Value Measurements (Continued)

to calculate the yield to maturity and the price on each of the Company's senior notes. These inputs are provided by an independent third party and are considered to be level 2 inputs as described in SFAS No. 157.

The Company derived the fair value estimates of its 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. The Company also incorporates its 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 the Company cannot determine them with precision. Changes in assumptions could significantly affect the Company's estimates.

The carrying amounts and estimated fair values of the Company's debt at June 30, 2009 and December 31, 2008 were as follows:

	June 30, 2009		December 31, 2008	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
6.95% Senior Notes matured 2009	$	$	$ 136.7	$ 135.3
5.625% Senior Notes due 2013	399.4	390.0	399.3	320.0
12.0% Senior Notes due February 2014	300.0	330.0		
7.875% Senior Notes due June 2017	391.4	394.0		
6.875% Senior Notes due 2033	448.5	344.3	448.5	315.0
3% Convertible Senior Notes redeemed in July 2009	431.3	425.5	431.3	374.9
Other foreign loans	62.5	80.7	48.5	48.4
Other loans	15.5	37.9	14.7	11.2
Total debt	$2,048.6	$2,002.4	$ 1,479.0	$1,204.8

The Company's fixed rate debt was $2,013.3 million at June 30, 2009 and $1,430.9 million at December 31, 2008. The fair value of the debt in the table above differs from the carrying amount due to changes in interest rates based on market conditions as of June 30, 2009 and December 31, 2008. Generally, the fair value of fixed rate debt will increase as interest rates fall and decrease as interest rates rise. A hypothetical 10% decrease in interest rates would result in an increase of $110.5 million in the fair value of the total debt balance at June 30, 2009. These changes in the fair value of the Company's fixed rate debt do not alter the Company's interest payment obligations or its obligation to repay the outstanding principal amount of such debt.

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(13) Income Taxes

Effective Income Tax Rate and Income Tax Provision

The Company's effective income tax rate was 26.1% for the three months ended June 30, 2009 and 27.5% for the six months ended June 30, 2009. The Company's effective income tax rate was 25.5% for the three months ended June 30, 2008 and 25.4% for the six months ended June 30, 2008.

The Company's income tax provision for the three months and six months ended June 30, 2009 included a $1.7 million benefit related to the utilization of state income tax credits for which no benefit had previously been recognized for financial reporting purposes.

For the three months and six months ended June 30, 2009, the Company's effective income tax rate was lower than the statutory U.S. federal income tax rate of 35% primarily due to the lower net effective income tax rate on foreign earnings, partially offset by state income taxes, as well as the income tax benefit described above.

The Company's income tax provision for the first six months ended June 30, 2008 included the following benefits:

- $2.9 million due to a change in assertion made in the first quarter of 2008 under Accounting Principles Board Opinion 23, or APB 23, with regard to certain foreign earnings;

- $1.3 million of income tax benefits recognized in the first quarter of 2008 relating to the utilization of loss carryforwards in a foreign jurisdiction for which no benefit had previously been recognized for financial reporting purposes; and

- $3.2 million of income tax benefits recognized in the second quarter of 2008 relating to a reduction in the estimated cost of repatriating certain foreign earnings.

For the three months and six months ended June 30, 2008, the Company's effective income tax rate was lower than the statutory U.S. federal income tax rate of 35% primarily due to the lower net effective income tax rate on foreign earnings, partially offset by state income taxes, as well as the income tax benefits described above.

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There have been no material changes to the Company's unrecognized tax benefits as reported at December 31, 2008, nor has the Company changed its policy with regard to the reporting of penalties and interest related to unrecognized tax benefits. Therefore, a reconciliation of unrecognized tax benefits from January 1, 2009 through June 30, 2009 has not been provided.

(14) Commitments and Contingencies

Cryovac Transaction Commitments and Contingencies

Settlement Agreement and Related Costs

On November 27, 2002, the Company reached an agreement in principle with the Committees appointed to represent asbestos claimants in the bankruptcy case of W. R. Grace & Co., known as

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(14) Commitments and Contingencies (Continued)

Grace, to resolve all current and future asbestos-related claims made against the Company and its 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, that had been made against the Company in connection with the Cryovac transaction. On December 3, 2002, the Company's Board of Directors approved the agreement in principle. The Company 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" and "Discussion of Cryovac Transaction Commitments and Contingencies" below.

The Company recorded a pre-tax charge of $850.1 million as a result of the Settlement agreement in its consolidated statement of operations for the year ended December 31, 2002. The charge consisted of the following items:

- a charge of $512.5 million covering a cash payment that the Company will be required under the Settlement agreement to make upon the effectiveness of an appropriate plan of reorganization in the Grace bankruptcy. Because the Company cannot predict when a plan of reorganization may become effective, the Company recorded this liability as a current liability on the 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. The Company has recorded this interest in interest expense on the consolidated statements of operations and in Settlement agreement and related accrued interest on the consolidated balance sheets. The accrued interest, which is compounded annually, was $214.8 million at June 30, 2009 and $195.3 million at December 31, 2008.

- a non-cash charge of $321.5 million representing the fair market value at the date the Company recorded the charge of nine million shares of the Company's common stock expected to be issued 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 the 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 the Company's common stock. The fair market value of the Company's common stock was $35.72 per pre-split share ($17.86 post-split) as of the close of business on December 5, 2002. The Company recorded this amount on its 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 $320.6 million, representing the excess of the aggregate fair market value over the aggregate par value of these common shares, in additional paid-in capital. The diluted earnings per common share calculations for the June 30, 2009 and 2008 periods reflect the eighteen million shares of common stock reserved for issuance related to the Settlement agreement.

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(14) Commitments and Contingencies (Continued)

$16.1 million of legal and related fees as of December 31, 2002.

Settlement agreement and related costs reflected legal and related fees for asbestos-related matters of $0.3 million for the three months ended June 30, 2009 and $0.8 million for the six months ended June 30, 2009, which are included in other income (expense), net, on the Company's condensed consolidated statements of operations.

Cryovac Transaction

On March 31, 1998, the Company 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 the Company.

Since the beginning of 2000, the Company has been served with a number of lawsuits alleging that, as a result of the Cryovac transaction, the Company is 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

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(14) Commitments and Contingencies (Continued)

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 the Company 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 the Company liable for liabilities that arose with respect to activities conducted prior to the Cryovac transaction by W. R. Grace & Co. Conn. or other 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, the Company 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. The Company has 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 the Company, these determinations could have had a materially adverse effect on the Company's consolidated financial position 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. 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 the Company and, upon filing and service on the Company, all future asbestos actions. No further proceedings involving the Company can occur in the actions that have been stayed except upon further order of the Bankruptcy Court.

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(14) Commitments and Contingencies (Continued)

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 the Company. 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 (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. The Company believes 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, the Company 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 the Company 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 the Company's common stock and $512.5 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 the Company is 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 the Company's common stock, and as a result, the number of shares of the Company's common stock to be paid 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. The Company 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 U.S. District Court for the District of Delaware for approval. On Grace's motion to the U.S. District Court, that court transferred the motion to approve the Settlement agreement to the Bankruptcy Court for disposition.

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(14) Commitments and Contingencies (Continued)

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 provides that the Court will retain jurisdiction over any dispute involving the interpretation or enforcement of the terms and provisions of the Settlement agreement. The Company expects 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, the Company filed a motion with the U.S. District Court for the District of Delaware, 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 the Company. The Company was 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, the Company still expects 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 the Company without prejudice to the Company's right to reopen the matter and renew in its sole discretion its prior motion to vacate the July 2002 interim ruling on the legal standards to be applied relating to the fraudulent transfer claims against the Company.

As a condition to the Company's 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 the Company and its affiliates. In that case, the Settlement agreement will provide 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 the Company and its affiliates that arise from alleged asbestos liabilities of Grace and its affiliates (including former affiliates that became affiliates of the Company 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 the Company and its affiliates arising from the Cryovac transaction as well as the Fresenius claims described below. The Settlement agreement will provide that the Company and its affiliates will receive releases of all those claims upon payment. Under the agreement, the Company cannot seek indemnity from Grace for the Company's payments required by the Settlement agreement. The order approving the Settlement agreement also provides that the stay of proceedings involving the Company described above will continue through the effective date of the final plan of reorganization, after which, upon implementation of the Settlement agreement, the Company will be released from the liabilities asserted in those proceedings and their continued prosecution against the Company will be enjoined.

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(14) Commitments and Contingencies (Continued)

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 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 before the Bankruptcy Court. 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 the Company 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 does 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, the Company has voted in favor of the PI Settlement Plan that is currently before the Bankruptcy Court. The Company 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 (the "Voting Declaration"). According to the Voting Declaration, with respect to each class of claims designated as impaired by Grace, the PI Settlement Plan has been 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 have been 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). The Voting Declaration provides that

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(14) Commitments and Contingencies (Continued)

more than one half of voting holders of GUCs have voted to accept the PI Settlement Plan, but that the provisional vote has not obtained the requisite two-thirds dollar amount to be deemed an accepting class in the event that GUCs are determined to be impaired. The Bankruptcy Court has yet to determine whether GUCs are impaired under the PI Settlement Plan. To the extent that GUCs are determined to be an impaired non-accepting class, Grace and the other plan proponents have indicated that they will nevertheless seek confirmation of the PI Settlement Plan under the "cram down" provisions contained in section 1129(b) of the Bankruptcy Code.

Although the Company is optimistic that, if confirmed, the PI Settlement Plan may implement the terms of the Settlement agreement, there can be no assurance that this will be the case. 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, including the availability of exit financing and the approval of both the Bankruptcy Court and United States District Court for the District of Delaware (the "District Court"). A number of objections to the PI Settlement Plan have been filed and remain unresolved, and certain of these objections concern injunctions, releases and provisions as applied to the Company and/or that are contemplated by the Settlement agreement. The Bankruptcy Court conducted initial hearings to consider confirmation of the PI Settlement Plan on June 22-23, 2009, and has scheduled additional confirmation hearings on September 8-11, and September 14-17, 2009.

Assuming that a final plan of reorganization (whether the PI Settlement Plan or another plan of reorganization) is confirmed by the Bankruptcy Court, approved by the District Court, and does become effective, the Company does not know whether the final plan of reorganization will be consistent with the terms of the Settlement agreement or if the other conditions to the Company's obligation to pay the Settlement agreement amount will be met. If these conditions are not satisfied or not waived by the Company, the Company will not be obligated to pay the amount contemplated by the Settlement agreement. However, if the Company does not pay the Settlement agreement amount, the Company and its affiliates will not be released from the various asbestos-related, fraudulent transfer, successor liability, and indemnification claims made against the Company 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, the Company could face liabilities that are significantly different from its obligations under the Settlement agreement. The Company 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 the Company's consolidated financial position and results of operations. While initial hearings to consider confirmation of the PI Settlement Plan were held on June 22-23, 2009 and additional confirmation hearings are currently scheduled for September 8-11, and September 14-17, 2009, the Company does not know whether or when a final plan of reorganization will become effective or whether the final plan will be consistent with the terms of the Settlement agreement.

Fresenius Claims

In January 2002, the Company 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

SEALED AIR CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

(Unaudited)

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

(14) Commitments and Contingencies (Continued)

court asking the court to resolve a contract dispute between the parties. The Fresenius parties contended that the Company was 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 $172.0 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. The Company believed that it was 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. The Company 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, there will be mutual releases exchanged between the Fresenius parties and the Company releasing 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 claim was brought 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. Another proceeding was filed in January 2005 in the Manitoba Court of The 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 members of the class of plaintiffs in the *Thundersky* proceeding. In October 2005, the Company 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

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Notes to Condensed Consolidated Financial Statements (Continued)

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(14) Commitments and Contingencies (Continued)

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 Canadian Court has entered an order extending the stay until October 1, 2009. A global settlement of these Canadian actions, save and except for claims against the Canadian government, has been finalized and will be funded entirely by Grace (the "Canadian Settlement"). The Canadian Settlement will, unless amended, become null and void if a confirmation order in the Grace U.S. bankruptcy proceeding is not granted prior to October 31, 2009. The Canadian Court issued an Order on October 17, 2008 approving of the Canadian Settlement, and released its detailed reasons for that order on October 23, 2008. The Company does not have any positive obligations under the Canadian Settlement, but is a beneficiary of the release of claims. The release in favor of the Grace parties (including the Company) 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. However, there can be no assurance that the PI Settlement Plan (or any other plan of reorganization) will be confirmed by the Bankruptcy Court, approved by the District Court, or 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, approved by the District Court, and does become effective, if the final plan of reorganization does not include comparable provisions 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 the Company could be required to pay substantial damages, which the Company cannot estimate at this time and which could have a material adverse effect on the Company's consolidated financial position and results of operations.

Additional Matters Related to the Cryovac Transaction

In view of Grace's Chapter 11 filing, the Company may receive additional claims asserting that the Company is liable for obligations that Grace had agreed to retain in the Cryovac transaction and for which the Company may be contingently liable. To date, the Company is unaware of any material claims having been asserted or threatened against the Company.

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. The Company has filed claims in the bankruptcy proceeding that reflect the costs and liabilities that it has 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 the Company is responsible for specified amounts under the Cryovac transaction agreements. Subject to the terms of the Settlement agreement, amounts for which the Company may be liable to Grace may be used to

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(14) Commitments and Contingencies (Continued)

offset the liabilities of Grace and its affiliates to the Company. The Company intends to seek indemnification by Grace and its affiliates for defense costs related to asbestos and fraudulent transfer litigation and the Fresenius claims, and approximately $8.1 million paid by the Company on account of its guaranty of debt issued by W. R. Grace & Co. Conn. Except to the extent of any potential setoff or similar claim, the Company expects that its claims will be as an unsecured creditor of Grace. Since portions of the Company's claims against Grace and its affiliates are contingent or unliquidated, the Company cannot determine the amount of the Company's claims, the extent to which these claims may be reduced by setoff, how much of the claims may be allowed, or the amount of the Company's recovery on these claims, if any, in the bankruptcy proceeding.

MPERS Lawsuit

On September 15, 2003, the case of *Senn v. Hickey, et al.* (Case No. 03-CV-4372) was filed in the U.S. District Court for the District of New Jersey (Newark). This lawsuit seeks class action status on behalf of all persons who purchased or otherwise acquired securities of the Company during the period from March 27, 2000 through July 30, 2002. The lawsuit named the Company and five current and former officers and directors of the Company as defendants. The Company is required to provide indemnification to the other defendants, and accordingly the Company's counsel is also defending them. On June 29, 2004, the court granted plaintiff Miles Senn's motion for appointment as lead plaintiff and for approval of his choice of lead counsel. The plaintiff's amended complaint makes a number of allegations against the defendants. The principal allegations are that during the above period the defendants materially misled the investing public, artificially inflated the price of the Company's common stock by publicly issuing false and misleading statements and violated U.S. GAAP by failing to properly account and accrue for the Company's contingent liability for asbestos claims arising from past operations of Grace. The plaintiff seeks unspecified compensatory damages and other relief. The Company has vigorously defended the lawsuit, since the Company believes that it properly disclosed its contingent liability for Grace's asbestos claims and properly accounted for its contingent liability for such claims under U.S. GAAP.

On March 14, 2005, the Company and the individual defendants filed a motion to dismiss the amended complaint in the *Senn v. Hickey, et al.* case for failure to state a claim. On December 19, 2005, the Court granted in part and denied in part defendants' motion to dismiss. The Court determined that the complaint failed adequately to allege scienter as to the four individual defendants other than T.J. Dermot Dunphy, and therefore dismissed the lawsuit with respect to these four indi