

SEALED AIR CORP/DE  
Form 10-K  
February 29, 2012  
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

**Form 10-K**

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended December 31, 2011

Or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the transition period from to

Commission file number 1-12139

**SEALED AIR CORPORATION**

*(Exact name of registrant as specified in its charter)*

**Delaware**  
*(State or other jurisdiction of  
incorporation or organization)*

**65-0654331**  
*(I.R.S. Employer  
Identification Number)*

**200 Riverfront Boulevard,**

**Elmwood Park, New Jersey**  
*(Address of principal executive offices)*

**07407-1033**  
*(Zip Code)*

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

**Securities registered pursuant to Section 12(b) of the Act:**

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, par value \$0.10 per share	New York Stock Exchange

**Securities registered pursuant to Section 12(g) of the Act:**

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None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes  No

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

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

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

As of the last business day of the registrant's most recently completed second fiscal quarter, June 30, 2011, the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was approximately \$3,727,000,000, based on the closing sale price as reported on the New York Stock Exchange.

There were 192,055,662 shares of the registrant's common stock, par value \$0.10 per share, issued and outstanding as of January 31, 2012.

**DOCUMENTS INCORPORATED BY REFERENCE:**

Portions of the registrant's definitive proxy statement for its 2012 Annual Meeting of Stockholders, to be held on May 17, 2012, are incorporated by reference into Part II and Part III of this Form 10-K.

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**SEALED AIR CORPORATION AND SUBSIDIARIES**

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**PART I**

**Item 1. Business**

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

We are a leading global innovator in the applications we serve and we differentiate ourselves through our:

extensive global reach, by which we leverage our strengths across our operations in 62 countries to reach customers in over 175 countries;

expertise in packaging sales, service and engineering, hygiene and sanitation solutions, and in food science;

leading brands, such as our Bubble Wrap® brand cushioning, Jiffy® protective mailers, Instapak® foam-in-place systems, Cryovac® packaging technology, and Diversey® and TASKI® brand cleaning and hygiene solutions;

technology leadership with an emphasis on proprietary technologies;

total systems offering that includes specialty materials and formulations, equipment systems and services; and

solid free cash flow generation from premium solutions to meet our customers' needs, productivity improvements, working capital management and an asset-light business model.

In 2011, our operations generated approximately 59% of our revenue from outside the United States including approximately 18% of our revenue from developing regions. These developing regions are Africa, Asia (excluding Japan and South Korea), Central and Eastern Europe, and Latin America. We anticipate that on a full year basis, as a result of the acquisition of Diversey, our operations will generate approximately 70% of our revenue from outside the United States including approximately 20% of our revenue from developing regions.

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

Throughout this Annual Report on Form 10-K, when we refer to Sealed Air, the Company, we, us or our, we are referring to Sealed Air Corporation and all of our subsidiaries, except where the context indicates otherwise. Also, when we cross reference to a Note, we are referring to our Notes to Consolidated Financial Statements, unless the context indicates otherwise.

**Recent Events**

***Acquisition of Diversey***

On October 3, 2011, we completed the acquisition of Diversey, a leading global provider of commercial cleaning, sanitation and hygiene products, services and solutions for food safety and service, food and beverage plant operations, floor care, housekeeping and room care, laundry and hand care. Under the terms of the acquisition agreement, we paid in aggregate \$2.1 billion in cash consideration and an aggregate of

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approximately 31.7 million shares of Sealed Air common stock to the shareholders of Diversey. We financed the payment of the cash consideration through (a) borrowings under our new Credit Facility, (b) proceeds from our issuance of the Notes and (c) cash on hand. In connection with the acquisition, we also used our new borrowings to retire approximately \$1.6 billion of existing indebtedness of Diversey. As of March 4, 2011, Diversey had approximately 10,170 employees and reported net sales of \$3.1 billion for the year ended December 31, 2010. See Note 3, Acquisition of Diversey Holdings, Inc., for further information about the acquisition and New Segment Structure below for information about our announcement of the expected establishment of new business units and our current segment reporting structure.

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

### ***New Segment Structure***

On November 3, 2011, we announced the expected establishment of new business units for our segment reporting structure. The new segment reporting structure will consist of three global business units. This new structure is expected to be implemented in 2012 and will replace our existing seven business unit structure and Diversey 's legacy four region-based structure.

The new segment reporting structure will include the following:

***Food & Beverage*** This new segment will combine our legacy Food Packaging and Food Solutions businesses with Diversey 's Food & Beverage applications. This segment will focus on providing solutions that improve the management of contamination risk associated with food production and processing, extend product shelf life through packaging technologies, and improve merchandising, ease-of-use and back-of-house processes. These solutions are designed to reduce customers ' total operating costs, improve operational efficiencies and reduce food waste and water and energy use.

***Institutional & Laundry*** This new segment will represent the legacy Diversey business serving institutional and industrial end-users such as food service providers, lodging establishments, building service contractors, building managers and property owners, retail outlets, schools and health care facilities. This segment will focus on developing differentiated solutions for facility hygiene, food safety and security in food service operations, and infection control. In addition, this segment offers a wide range of value-added services, including food safety and application training and consulting, and auditing of hygiene and water management. These solutions create business value by improving operating efficiency, mitigating risk and reducing the overall environmental footprint of commercial and industrial facilities.

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

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

Until the new organization is implemented, we will continue to report our segment results using the following structure: Food Packaging, Food Solutions, Protective Packaging, Diversey and an Other category. Additionally, there will be no immediate changes in how we manage our business with our customers, including the products, solutions and services we provide, however, our businesses will pursue revenue synergy opportunities where available.

### ***New Directors Elected***

On January 30, 2012, we announced that Mr. Jerry R. Whitaker was elected to our Board of Directors as an independent director, effective immediately. Mr. Whitaker is the retired President of the Electrical Sector-Americas Group of Eaton Corporation, a global diversified power management company that manufactures electrical and industrial products and services. The Electrical Sector-Americas represents the largest operating unit of Eaton Corporation. During Mr. Whitaker 's 17-year tenure at Eaton Corporation, he held several executive management positions and established a track record of improving profitability across the multinational manufacturing footprint and expanding Eaton 's market presence in targeted segments. Currently, Mr. Whitaker serves as a director of Matthews International Inc. and as a director of Crescent Electric Supply Company. He also serves on the boards of the Carnegie Science Center (serving as Chairman of the Carnegie Science Center Awards for Excellence over the last ten years), the Allegheny Conference on Community Development, Pittsburgh American Middle East Institute and the Corporate Circles Board of the Pittsburgh Cultural Trust. Mr. Whitaker holds a bachelor of science degree in electrical engineering from Syracuse University and a master of business administration degree from George Washington University.

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On January 17, 2012, we announced that Mr. Richard L. Wambold was elected to our Board of Directors as an independent director, effective March 1, 2012. Mr. Wambold was formerly the Chief Executive Officer of Pactiv/Reynolds Foodservice and Consumer Products, a global manufacturer and supplier of consumer food and beverage packaging and store products. Previously, Mr. Wambold served for approximately 12 years as Chairman of the Board and Chief Executive Officer of Pactiv Corporation, a global provider of advanced packaging solutions. Currently, Mr. Wambold is a private investor and serves as a director of Cooper Tire and Rubber Company and as a director of Precision Castparts Corporation.

### **Our Business Strategies**

We are focused on protection and expanding our presence by innovating solutions that improve food safety and security, facility hygiene and product protection. Our strategy aligns with three global trends: the increased demand for protein and high-quality prepared foods from an expanding middle class in developing regions; greater public and regulatory demand for safe, efficient and hygienic environments; and the expansion of global supply chains and e-commerce, which require efficient packaging solutions. Our business is well positioned to leverage these trends through our extensive portfolio of proprietary solutions, leading research and development teams, our large international footprint and presence in developing regions, our access to broad distribution networks and our high levels of customer service.

The key strategic priorities developed to achieve our growth goals are:

*Maintain and Expand our Positions with Key Customers.* We have developed a reputation for delivering exceptional value to our customers as proven by our long-standing relationships and market leadership positions. Our total systems solution model often involves technology and equipment installed within our customers' facilities which further enhances the value we bring to our customers. We plan to build on the strength of these relationships to deliver end-to-end solutions across the food Production-Packaging-Preparation-Consumption continuum to become an increasingly important partner to our customers.

*Position our Company to Capture Growth Opportunities in Developing Regions.* We are focused on realizing growth from developing regions due to favorable demand trends, including: greater disposable income from a growing middle class; the continued urbanization of populations; increased wealth per capita driving greater demand for protein and higher quality foods; and expansion of cold supply chains and Western-style retail supermarkets, which require more packaging. As a result, these regions represent opportunities for enhanced food production, packaging and processing, which offer growth opportunities for our solutions.

*Extend Reach and Maintain Innovation Leadership.* The Diversey acquisition provides additional scope, scale, and geographic reach to deliver proprietary solutions to address our customers' unmet needs in managing food safety, hygiene and shelf life performance while maximizing productivity and risk management and reducing costs. We believe our extensive competencies in food science, equipment automation, cleaning and sanitation and process integration position us to address these unmet needs globally. We plan to build on these combined strengths by innovating new end-to-end solutions across the food Production-Packaging-Preparation-Consumption continuum that will provide measurable value for our customers and ultimately enhance the efficacy and efficiency of food supply chains.

*Integrate Diversey and Realize Cost Savings and Revenue Synergies.* We intend to achieve commercial and financial benefits from our integration of Diversey. We are proceeding with our extensive integration plan that addresses both commercial opportunities and areas for cost savings. We expect to realize approximately \$110 million to \$115 million of annual gross cost savings by the end of 2014. We continue to anticipate \$70 million of revenue synergies by the end of 2013, largely from expanding our access and presence within our food and beverage processing customers' businesses and broadening our reach in developing regions. We believe that cost and revenue synergies will further enhance our financial profile and future free cash flow generation.

*Utilize Free Cash Flow to Repay Debt Obligations.* We have a long track record of free cash flow generation and deleveraging through the economic cycle. We plan to use internally-generated free cash flow to repay our debt obligations. As of December 31, 2011, our net debt was \$5.2 billion. Our goal is to reduce net debt to \$4.9 billion by the end of 2012 and then to \$4.5 billion by the end of 2013. In addition, we plan to opportunistically invest in our businesses to further enhance our free cash flow generation in the future, which will create additional value for shareholders.

### **Segments**

We currently report our business publicly in five parts: four reportable segments and an Other category.

Our reportable segments are:

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1. Food Packaging;
2. Food Solutions;
3. Protective Packaging, which includes Shrink Packaging; and
4. Diversey.



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Our Other category includes:

- (a) Specialty Materials;
- (b) Medical Applications; and
- (c) New Ventures.

Information concerning our reportable segments, including net sales, depreciation and amortization, operating profit and certain assets, appears in Note 4, Segments.

## **Descriptions of the Reportable Segments and Other Category**

We offer a broad range of solutions across leading brands worldwide.

### ***Food Packaging Segment***

In this segment, we focus on the automated packaging of perishable foods, predominantly fresh and processed meats and cheeses. Our products are sold primarily to food processors, distributors, supermarket retailers and foodservice operators. We market these products under the Cryovac® trademark and sub-brands such as Cryovac Grip & Tear®, Oven Ease™ and Multi-Seal®. This segment's growth opportunities are targeted toward developments in technologies that enable our customers to package and ship their meat and cheese products effectively through their supply chain. These technologies focus on automation and packaging integration solutions, innovation in material science and expansion of the sale of our products into developing regions, where consumers continue to increase their protein consumption and are transitioning to packaged products.

Our Food Packaging segment offerings include:

shrink bags to vacuum package many fresh food products, including beef, lamb, pork, poultry and seafood, as well as cheese and smoked and processed meats;

packaging materials for cook-in applications, predominantly for deli and foodservice businesses;

a wide range of laminated and coextruded rollstock packaging materials utilized in thermoforming and form, fill and seal applications, providing an effective packaging option for a variety of fresh meat, smoked and processed meat, seafood, poultry and cheese applications;

packaging trays; and

associated packaging equipment and systems, including bag loaders, dispensers and vacuum chamber systems.

### ***Food Solutions Segment***

In this segment, we target advanced food packaging technologies that provide consumers convenient access to fresh, consistently prepared, high-quality meals, either from foodservice outlets or from expanding retail cases at grocery stores. We sell the products in this reportable segment primarily to food processors, distributors, supermarket retailers and foodservice operators. We market these products under the Cryovac® trademark and sub-brands such as Simple Steps®, Cryovac Mirabella® and Darfresh®. This segment's growth strategy is focused on developing convenience-oriented solutions through material science and innovative end applications that serve both consumers and the commercial chef.

Our Food Solutions segment offerings include:

case-ready packaging offerings that are utilized in the centralized packaging of various proteins, including beef, pork, lamb, poultry, smoked and processed meats, seafood and cheese, for retail sale at the consumer level;

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ready meals packaging, including our Simple Steps<sup>®</sup> solution, a microwavable package designed with vacuum skin packaging technology and a unique self-venting feature, as well as our flex-tray-flex package, which is an oven-compatible package that utilizes skin-pack technology;

vertical pouch packaging solutions for packaging flowable food products, including soups, sauces, salads, meats, toppings and syrups, including film and filling equipment systems for products utilizing hot and ambient, retort and aseptic processing methods;

foam and solid plastic trays and containers that customers use to package a wide variety of food products;

absorbent products used for food packaging, such as our Dri-Loc<sup>®</sup> absorbent pads; and

related packaging equipment, including vacuum chamber systems.

### ***Protective Packaging Segment***

This segment comprises our core protective packaging technologies and solutions aimed at traditional industrial applications as well as consumer-oriented packaging solutions. We aggregate our protective packaging products and shrink packaging products into our Protective Packaging segment for reporting purposes. We sell products in this segment primarily to distributors and manufacturers in a wide variety of industries as well as to retailers and to e-commerce and mail order fulfillment firms. This segment's growth is focused on providing a broad range of protective packaging products and solutions worldwide by focusing on advancements in material science, automation, and the development of reliable customer equipment. We target markets that serve both developed and developing regions.

Our Protective Packaging segment offerings include:

Bubble Wrap<sup>®</sup> and AirCap<sup>®</sup> brand air cellular packaging materials, which employ a barrier layer that retains air for longer lasting protection, forming a pneumatic cushion to protect products from damage through shock or vibration during shipment;

Cryovac<sup>®</sup>, Opti<sup>®</sup> and CorTuff<sup>®</sup> polyolefin performance shrink films for product display, bundling and merchandising applications, which customers use to shrink-wrap a wide assortment of industrial, consumer, and food products;

Shanklin<sup>®</sup> and Opti<sup>®</sup> shrink packaging equipment systems;

Instapak<sup>®</sup> polyurethane foam packaging systems, which consist of proprietary blends of polyurethane chemicals, high performance polyolefin films and specially designed dispensing equipment that provide protective packaging for a wide variety of applications;

Jiffy<sup>®</sup> mailers and bags, including lightweight, tear-resistant mailers lined with air cellular cushioning material that are marketed under the Jiffylite<sup>®</sup> and TuffGard<sup>®</sup> trademarks, Jiffy<sup>®</sup> padded mailers made from recycled kraft paper padded with macerated recycled newspaper, and Jiffy<sup>®</sup> ShurTuff<sup>®</sup> bags composed of multi-layered polyolefin film;

inflatable packaging systems, including our Fill-Air<sup>®</sup> inflatable packaging system, which converts rolls of polyethylene film into continuous perforated chains of air-filled cushions, our Fill-Air<sup>®</sup> RF system, which consists of a compact, portable inflator and self-sealing inflatable plastic bags, which is also available in a fully automated model, and our NewAir I.B.<sup>®</sup> Express packaging system, which provides on-site, on-demand Barrier Bubble<sup>®</sup> cushioning material;

PackTiger® paper cushioning system, a versatile high-speed paper packaging solution that includes both recycled paper and automated dispensing equipment;

Kushion Kraft®, Custom Wrap™, Jiffy Packer® and Void Kraft™ paper packaging products; and

Korrvu® suspension and retention packaging.

***Diversey Segment***

**Products and Services**

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

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The global sustainability movement is expected to be a long-term driver of growth in the industries we serve, as customers seek products and expertise that reduce their environmental profile while also providing clean, hygienic facilities that reduce the risk of human- and food-borne infection. Our extensive suite of products, services and solutions improves our customers' operational efficiency as well as their cleaning, sanitizing and hygiene results, which we believe assists them in protecting their brands. We also help our customers achieve their goals of reducing waste, energy and water consumption, and we are able to provide documented analysis of the cost and resource savings they can achieve by implementing our solutions.

*Food Service.* Food Service products remove soil and address microbiological contamination on food contact surfaces. Our food service products include chemicals for washing dishes, glassware, flatware, utensils and kitchen equipment; dish machines; pre-rinse units; dish tables and racks; food handling and storage products; and safe floor systems and tools. We also manufacture and supply kitchen cleaning products, such as general purpose cleaners, lime scale removers, bactericides/disinfectants, detergents, oven and grill cleaners, general surface degreasers, floor cleaners and food surface disinfectants. In addition, we provide customers with expertise to execute cleaning and hygiene programs. These applications are sold into a variety of end use applications, including contract and in-flight caterers, restaurant chains and lodging establishments. We also have a relationship with Cintas Corporation through which we provide application expertise and a food service portfolio under Cintas' Signet<sup>SM</sup> brand.

*Food and Beverage Manufacturing and Processing.* Food and Beverage Manufacturing and Processing products include detergents, cleaners, sanitizers and lubricants, as well as cleaning systems, electronic dispensers and chemical injectors for the application of chemical products and improvement of operational efficiency and sanitation. We also offer gel and foam products for manual open plant cleaning, acid and alkaline cleaners and membrane cleaning products. In addition, we provide consulting services in the areas of food safety, water and energy use reduction and quality management.

*Floor Care.* We manufacture a broad range of floor care products and systems, including finishes, waxes, cleaners, degreasers, polishes, sealers and strippers for all types of flooring surfaces, including vinyl, terrazzo, granite, concrete, marble, linoleum and wood. We also provide a full range of carpet cleaners, such as extraction cleaners and shampoos; carpet powders; treatments, such as pre-sprays and deodorizers; and a full line of carpet spotters. Our range of products also includes carpet cleaning and floor care machines, as well as utensils and tools, which support the cleaning and maintenance process. Among the product brands are TASKI<sup>®</sup> floor care machines and Signature<sup>®</sup> floor finish. These products are sold primarily for use in building management, retail, lodging and health care customer sectors.

*Restroom Care and Other Housekeeping.* We offer a fully integrated line of products and dispensing systems for hard surface cleaning, disinfecting and sanitizing, hand washing and air deodorizing and freshening. Our restroom care and other housekeeping products include bowl and hard surface cleaners, hand soaps, sanitizers, air care products, general purpose cleaners, disinfectants and specialty cleaning products. Among the product brands are Clax<sup>®</sup>, J-Flex<sup>™</sup> and Oxivir<sup>®</sup>. These products are sold into the food service, building management, retail, lodging and health care customer sectors.

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

### **Diversey Segment End-Users and Customers**

We offer our Diversey products directly or through third-party distributors to end-users in seven sectors: food service, lodging, retail, health care, building managers/service contractors, food and beverage and other.

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

*Lodging.* We serve many of the largest hotel chains in the world as well as local independent properties and regional chains.

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

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

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

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

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

### ***Other***

We also focus on growth by utilizing our technologies in new market segments. This category includes specialty materials serving both packaging and non-packaging applications and medical products and applications. Additionally, this category includes several of our new ventures, such as vacuum insulated panels.

### ***Specialty Materials***

Our Specialty Materials business seeks to expand our product portfolio and core competencies into specialized and non-packaging applications and new market segments. We sell specialty materials products primarily to fabricators and manufacturers encompassing a wide array of businesses and end uses.

### ***Medical Applications***

The goal of our Medical Applications business is to provide solutions offering superior protection and reliability to the medical, pharmaceutical and medical device industries. We sell medical applications products directly to medical device manufacturers and pharmaceutical companies and to the contract packaging firms that supply them.

### ***New Ventures***

Our New Ventures area includes several development projects. These include technologies and solutions sourced from renewable materials, proprietary process technologies that have opportunity for application within our manufacturing processes and for future licensing, and equipment systems that offer an automated packaging service for high-volume fulfillment or pick-and-pack operators. Two examples of development projects are the I-Pack and Ultipack automated void reduction and containment systems that provide efficient, automated packaging processes that minimize carton sizes and void fill requirements. These systems are being offered as a service and sold using a unique per-package charge model.

### **Outsourced Products**

In addition to net sales from products produced in our facilities, we also sell products fabricated by other manufacturers, which we refer to as outsourced products. Outsourced products are mostly sold in our Food Solutions and Diversey segments. Food Solutions' outsourced products include, among others, foam and solid plastic trays and containers fabricated primarily in North America and in Europe that largely support our Food Solution segment's case ready products. Diversey's outsourced products include, among others, most non-chemical products, including, dosing and dispensing equipment, cleaning tools and utensils, paper products and food and beverage cleaning equipment fabricated primarily in Europe and Asia. In addition, we also outsource certain of our chemical products in our floor care line.



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contract packaging firms as well as directly to end-users such as food processors, foodservice businesses, supermarket retailers, lodging, retail, pharmaceutical companies, health care facilities, medical device manufacturers, and other manufacturers.



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To support our food and new ventures customers, we operate three Packforum® innovation and learning centers that are located in the U.S., France, and China. At Packforum®, we assist customers in identifying the appropriate packaging materials and systems to meet their needs. We also offer ideation services, educational seminars, employee training and customized graphic design services to our customers.

To assist our marketing efforts for our protective packaging products and to provide specialized customer services, we operate 35 industrial Package Design and Development Centers (PDDC s) worldwide within our facilities. These PDDC s are staffed with professional packaging engineers and outfitted with drop-testing and other equipment used to develop, test and validate cost-effective package designs to meet each protective packaging customer s needs.

To support our equipment systems and the marketing of our totals systems solutions, we provide field technical services to our customers worldwide. These services include system installation, integration and monitoring systems, repair and upgrade, operator training in the efficient use of our systems, qualification of various consumable and system combinations, and equipment layout and design.

For our medical application customers, we offer two cleanroom contract assembly and packaging facilities in two countries, as well as a packaging validation lab.

Our food packaging, food solutions and food and beverage applications are largely sold direct, while our Protective Packaging and a large component of the remaining end-use applications in Diversey are sold through business supply distributors.

We have no material long-term contracts for the distribution of our products. In 2011, no customer or affiliated group of customers accounted for 10% or more of our consolidated net sales.

## **Seasonality**

Historically, net sales in our food businesses have tended to be slightly lower in the first quarter and slightly higher towards the end of the third quarter through the fourth quarter, due to holiday events. Net sales in our Protective Packaging segment have also tended to be slightly lower in the first quarter and higher during the back-to-school season in the mid-third quarter and through the fourth quarter due to the holiday shopping season. The Diversey segment s net sales trend slightly lower in the first quarter, while second quarter sales represent a modest seasonal peak due to the European-based lodging and food and beverage demand. On a consolidated basis, there is little seasonality in the business, with net sales slightly lower in the first quarter and slightly higher towards the end of the third quarter through the fourth quarter. Our consolidated net earnings typically trend directionally the same as our net sales seasonality.

However, other factors may outweigh the effects of seasonal changes in our net earnings results including, but not limited to, changes in raw materials and other costs, foreign exchange rates, interest rates, taxes and the timing and amount of acquisition synergies and restructuring and other non-recurring charges.

## **Competition**

Competition for most of our packaging products is based primarily on packaging performance characteristics, service and price. Since competition is also based upon innovations in packaging technology, we maintain ongoing research and development programs to enable us to maintain technological leadership. We invest approximately double the industry average on research and development as a percentage of net sales per year as compared with our packaging peers. There are also other companies producing competing products that are well-established.

There are other manufacturers of food packaging and food solutions products, some of which are companies offering similar products that operate across regions and others that operate in a single region or single country. Competing manufacturers produce a wide variety of food packaging based on plastic, metals and other materials. We believe that we are one of the leading suppliers of (i) flexible food packaging materials and related systems in the principal geographic areas in which we offer those products, (ii) barrier trays for case-ready meat products in the principal geographic areas in which we offers those trays, and (iii) absorbent pads for food products to supermarkets and to meat and poultry processors in the United States.

Our protective packaging products compete with similar products made by other manufacturers and with a number of other packaging materials that customers use to provide protection against damage to their products during shipment and storage. Among the competitive materials are various forms of paper packaging products, expanded plastics, corrugated die cuts, strapping, envelopes, reinforced bags, boxes and other containers, and various corrugated materials, as well as various types of molded foam plastics, fabricated foam plastics, mechanical shock mounts, and wood blocking and bracing systems. We believe that we are one of the leading suppliers of air cellular cushioning materials containing a barrier layer, inflatable packaging, suspension and retention packaging, shrink films for industrial and commercial applications,

protective mailers, polyethylene foam and polyurethane foam packaging systems in the principal geographic areas in which we sell these products.

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Our Diversey solutions face a wide spectrum of competitors across each product category. Competition is both global and regional in scope and includes numerous small, local competitors with limited product portfolios and geographic reach. We compete globally on premium product offerings and application expertise, innovative product and dispensing equipment offerings, value-added solution delivery, and strong customer service and support. We differentiate our offerings from competitors by becoming the preferred partner to our customers, and by providing innovative, industry-leading products to make their facilities safer and healthier for both maintenance staff and building occupants. We believe our integrated solutions approach, which includes the supply of machines, tools, chemicals, processes and training to customers to drive productivity improvements, reduces risk of food safety events and improves infection control to reduce health care acquired infections, is a unique competitive strength. Additionally, the quality, ease of use and environmental profile of our products are unique and have helped support long-standing, profitable relationships with many top customers.

Competition in specialty materials is focused on performance characteristics and price. Competition for most of our Medical Applications products is based primarily on performance characteristics, service and price. Technical design capability is an additional competitive factor for the rigid packaging offered by the Medical Applications business.

### **Raw Materials and Sourcing**

Suppliers provide raw materials, packaging components, equipment, accessories and contract manufactured goods. Our principal raw materials are polyolefin and other petrochemical-based resins and films, caustic soda, solvents, waxes, phosphates, surfactants, chelates, fragrances and paper and wood pulp products. These raw materials represent approximately one third of our consolidated cost of sales. We also purchase corrugated materials, cores for rolls of products such as films and Bubble Wrap<sup>®</sup> brand cushioning, inks for printed materials, bag-in-the-box containers, bottles, drums, pails, totes, aerosol cans, caps, triggers, valves, and blowing agents used in the expansion of foam packaging products. In addition, we offer a wide variety of specialized packaging equipment, some of which we manufacture or have manufactured to our specifications, some of which we assemble and some of which we purchase from suppliers. Equipment and accessories include industrial and food packaging equipment, dilution-control warewashing and laundry equipment, floor care machines as well as items used in the maintenance of a facility such as air care dispensers, floor care applicators, microfiber mops and cloths, buckets, carts and other cleaning tools and utensils.

The vast majority of the raw materials required for the manufacture of our products and all components related to our equipment and accessories generally have been readily available on the open market, in most cases are available from several suppliers and are available in amounts sufficient to meet our manufacturing requirements. However, we have some sole-source suppliers, and the lack of availability of supplies could have a material negative impact on our business. Natural disasters such as hurricanes, as well as political instability and terrorist activities, may negatively impact the production or delivery capabilities of refineries and natural gas and petrochemical suppliers in the future. Due to by-product/co-product chemical relationships to the automotive and housing markets, several materials may become difficult to source. These factors could lead to increased prices for our raw materials, curtailment of supplies and allocation of raw materials by our suppliers. We source some materials used in our packaging products from materials recycled in our manufacturing operations or obtained through participation in recycling programs. Although we purchase some raw materials under long-term supply arrangements with third parties, these arrangements follow market forces and are in line with our overall global sourcing strategy, which seeks to balance the cost of acquisition and availability of supply.

We have a centralized supply chain organization, which includes the centralized management of procurement and logistic activities. Our objective is to leverage our global scale to achieve sourcing efficiencies and reduce our total delivered cost across all our regions. We do this while adhering to strategic performance metrics and stringent sourcing practices.

### **Research and Development Activities**

We maintain a continuing effort to develop new products and improve our existing products and processes, including developing new packaging, non-packaging and chemical equipment and applications using our intellectual property. From time to time, we also acquire and commercialize new packaging and other products or techniques developed by others. Our research and development projects rely on our technical capabilities in the areas of food science, materials science, chemistry, package design and equipment engineering. Our research and development expense was \$106 million in 2011, \$88 million in 2010 and \$81 million in 2009.

Our research and development activities are focused on end-use application. As a result, we operate:

two food science laboratories located in the U.S. and Italy;



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35 industrial Package Design and Development Centers worldwide, which are located within our Protective Packaging facilities. These centers develop, test and validate cost-effective package designs;

seven research and development laboratories focused on the development of cleaning and sanitation formulations, which are located in the U.S., Germany, the Netherlands, Switzerland, India, Japan, and Brazil;

nine equipment design centers in the U.S., Germany, Switzerland, the U.K., and Japan that focus on equipment and parts design and innovation to support the development of comprehensive systems solutions;

two medical rigids packaging design centers in the U.S. and the Netherlands; and

one medical device packaging validation laboratory in the Netherlands.

## **Patents and Trademarks**

We are the owner or licensee of an aggregate of over 4,600 United States and foreign patents and patent applications, as well as an aggregate of over 9,000 United States and foreign trademark registrations and trademark applications that relate to many of our products, manufacturing processes and equipment. We believe that our patents and trademarks collectively provide a competitive advantage. As such, each year we continue to file, in the aggregate, an average of 350 United States and foreign patent applications and 400 United States and foreign trademark applications. None of our reportable segments is dependent upon any single patent or trademark alone. Rather, we believe that our success depends primarily on our sales and service, marketing, engineering and manufacturing skills and on our ongoing research and development efforts. We believe that the expiration or unenforceability of any of our patents, applications, licenses or trademark registrations would not be material to our business or consolidated financial condition.

## **Environmental, Health and Safety Matters**

As a manufacturer, we are subject to various laws, rules and regulations in the countries, jurisdictions and localities in which we operate. These cover: the safe storage and use of raw materials and production chemicals; the release of materials into the environment; standards for the treatment, storage and disposal of solid and hazardous wastes; or otherwise relate to the protection of the environment. We review environmental, health and safety laws and regulations pertaining to our operations and believe that compliance with current environmental and workplace health and safety laws and regulations has not had a material effect on our capital expenditures or consolidated financial condition.

In some jurisdictions in which our packaging products are sold or used, laws and regulations have been adopted or proposed that seek to regulate, among other things, minimum levels of recycled or reprocessed content and, more generally, the sale or disposal of packaging materials. In addition, customer demand continues to evolve for packaging materials that incorporate renewable materials or that are otherwise viewed as being environmentally sound. Our new venture activities, described above, include the development of packaging products from renewable resources. We maintain programs designed to comply with these laws and regulations, to monitor their evolution, and to meet this customer demand. One advantage inherent in many of our products is that thin, lightweight packaging solutions reduce waste and transportation costs in comparison to available alternatives. We continue to evaluate and implement new technologies in this area as they become available.

Various federal, state, local and foreign laws and regulations regulate some of our products and require us to register certain products and comply with specified requirements. In the United States, we must register our sanitizing and disinfecting products with the U.S. Environmental Protection Agency ( EPA ). We are also subject to various federal, state, local and foreign laws and regulations that regulate products manufactured and sold by is for controlling microbial growth on humans, animals and processed foods. In the United States, these requirements are general administered by the U.S. Food and Drug Administration ( FDA ). To date, the cost of complying with product registration requirements and FDA compliance has not had a material adverse effect on our business, financial condition, results of operations or cash flows.

We also support our customers' interests in eliminating waste by offering or participating in collection programs for some of our products or product packaging and for materials used in some of our products. When possible, materials collected through these programs are reprocessed and either reused in our protective packaging operations or offered to other manufacturers for use in other products. In addition, gains that we have made in internal recycling programs have allowed us to improve our net raw material yield, thus mitigating the impact of resin costs, while lowering solid waste disposal costs and controlling environmental liability risks associated with waste disposal.



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Our emphasis on environmental, health and safety compliance provides us with risk reduction opportunities and cost savings through asset protection and protection of employees, for which we are recognized as leaders in our industry. Our website, [www.sealedair.com](http://www.sealedair.com), contains additional detailed information about our corporate citizenship initiatives.

**Available Information**

Our Internet address is [www.sealedair.com](http://www.sealedair.com). We make available, free of charge, on or through our website at [www.sealedair.com](http://www.sealedair.com), our Annual Report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports that we file or furnish pursuant to Sections 13(a) or 15(d) of the Securities Exchange Act of 1934, or the Exchange Act, as soon as reasonably practicable after we electronically file these materials with, or furnish them to, the Securities and Exchange Commission.

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### **Item 1A. Risk Factors**

#### **Introduction**

Investors should carefully consider the risks described below before making an investment decision. These are the most significant risk factors, however, they are not the only risk factors that you should consider in making an investment decision. This Form 10-K also contains and may incorporate by reference forward-looking statements that involve risks and uncertainties. See the Cautionary Notice Regarding Forward-Looking Statements, in Management's Discussion and Analysis of Financial Condition and Results of Operations in Part II, Item 7 of this Form 10-K. Our business, consolidated financial condition or results of operations could be materially adversely affected by any of these risks. The trading price of our securities could decline due to any of these risks, and investors in our securities may lose all or part of their investment.

#### ***Weakened global economic conditions have had and could continue to have an adverse effect on our consolidated financial condition and results of operations.***

Weakened global economic conditions have had and may continue to have an adverse impact on our business in the form of lower net sales due to weakened demand, unfavorable changes in product price/mix, or lower profit margins. For example, the recent global economic downturn has adversely impacted some of our end-users and customers, such as food processors, distributors, supermarket retailers, hotels, restaurants, retail establishments, other retailers and e-commerce and mail order fulfillment firms, and other end-users that are particularly sensitive to business and consumer spending.

During economic downturns or recessions, there can be a heightened competition for sales and increased pressure to reduce selling prices as our customers may reduce their volume of purchases from us. If we lose significant sales volume or reduce selling prices significantly, then there could be a negative impact on our consolidated financial condition or results of operations, profitability and cash flows.

Also, reduced availability of credit may adversely affect the ability of some of our customers and suppliers to obtain funds for operations and capital expenditures. This could negatively impact our ability to obtain necessary supplies as well as our sales of materials and equipment to affected customers. This also could result in reduced or delayed collections of outstanding accounts receivable.

#### ***The global nature of our operations exposes us to numerous risks that could materially adversely affect our consolidated financial condition and results of operations.***

We operate in 62 countries, and our products are distributed in those countries as well as in other parts of the world. A large portion of our manufacturing operations are located outside of the United States and a majority of our net sales are generated outside of the United States. Operations outside of the United States, particularly operations in developing regions, are subject to various risks that may not be present or as significant for our U.S. operations. Economic uncertainty in some of the geographic regions in which we operate, including developing regions, could result in the disruption of commerce and negatively impact cash flows from our operations in those areas.

Risks inherent in our international operations include:

foreign currency exchange controls and tax rates;

foreign currency exchange rate fluctuations, including devaluations;

the potential for changes in regional and local economic conditions, including local inflationary pressures;

restrictive governmental actions such as those on transfer or repatriation of funds and trade protection matters, including antidumping duties, tariffs, embargoes and prohibitions or restrictions on acquisitions or joint ventures;



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changes in laws and regulations, including the laws and policies of the United States affecting trade and foreign investment;

the difficulty of enforcing agreements and collecting receivables through certain foreign legal systems;

variations in protection of intellectual property and other legal rights;

more expansive legal rights of foreign unions or works councils;

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changes in labor conditions and difficulties in staffing and managing international operations;

social plans that prohibit or increase the cost of certain restructuring actions;

the potential for nationalization of enterprises or facilities; and

unsettled political conditions and possible terrorist attacks against U.S. or other interests.

In addition, there are potential tax inefficiencies in repatriating funds from our non-U.S. subsidiaries.

These and other factors may have a material adverse effect on our international operations and, consequently, on our consolidated financial condition or results of operations.

***If the Settlement agreement (as defined in Note 17, Commitments and Contingencies ) is not implemented, we will not be released from the various asbestos-related, fraudulent transfer, successor liability, and indemnification claims made against us arising from a 1998 transaction with Grace. We have no control over the timing of the cash payment required from us under the Settlement agreement. We are also a defendant in a number of asbestos-related actions in Canada arising from Grace s activities in Canada prior to the 1998 transaction.***

On March 31, 1998, Sealed Air completed a multi-step transaction (the Cryovac transaction ) involving Grace which brought the Cryovac packaging business and the former Sealed Air Corporation s business under the common ownership of the Company. As part of that transaction, Grace and its subsidiaries retained all liabilities arising out of their operations before the Cryovac transaction (including asbestos-related liabilities), other than liabilities relating to Cryovac s operations, and agreed to indemnify the Company with respect to such retained liabilities. Since 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 the alleged asbestos liabilities of Grace and its subsidiaries. While they vary, these suits all appear to allege that the transfer of the Cryovac business was a fraudulent transfer or gave rise to successor liability. On April 2, 2001, Grace and certain of its subsidiaries filed for Chapter 11 relief in the U.S. Bankruptcy Court for the District of Delaware (the Bankruptcy Court ). In connection with Grace s Chapter 11 case, the Bankruptcy Court issued orders dated May 3, 2001 and January 22, 2002, staying all asbestos actions against the Company. However, the official committees appointed to represent asbestos claimants in Grace s Chapter 11 case (the Committees ) received the court s permission to pursue fraudulent transfer and other claims against the Company and its subsidiary Cryovac, Inc. based upon the Cryovac transaction. This proceeding was brought in the U.S. District Court for the District of Delaware (the District Court ) (Adv. No. 02-02210).

On November 27, 2002, we reached an agreement in principle with the Committees to resolve the fraudulent transfer proceeding and all current and future asbestos-related claims made against us and our affiliates in connection with the Cryovac transaction. The Settlement agreement will also resolve the fraudulent transfer claims and successor liability claims, as well as indemnification claims by Fresenius Medical Care Holdings, Inc. and affiliated companies in connection with the Cryovac transaction. The parties to the agreement in principle signed the definitive Settlement agreement as of November 10, 2003 consistent with the terms of the agreement in principle. On June 27, 2005, the Bankruptcy Court signed an order approving the definitive 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. On September 19, 2008, Grace, the Official Committee of Asbestos Personal Injury Claimants, the Asbestos PI Future Claimants Representative (the FCR ), and the Official Committee of Equity Security Holders (the Equity Committee ) filed, as co-proponents, a plan of reorganization (as filed and amended from time to time, 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. 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 our definitive Settlement agreement will be incorporated into the PI Settlement Plan and that we will pay the amount contemplated by that agreement.

On January 31, 2011, the Bankruptcy Court entered a memorandum opinion (the Bankruptcy Court Opinion ) overruling certain objections to the PI Settlement Plan. On the same date, the Bankruptcy Court entered an order regarding confirmation of the PI Settlement Plan (the Bankruptcy Court Confirmation Order ). As entered on January 31, 2011, the Bankruptcy Court Confirmation Order contained recommended findings of fact and conclusions of law, and recommended that the District Court approve the Confirmation Order, and that the District Court confirm the PI Settlement Plan and issue a channeling injunction under Section 524(g) of the Bankruptcy Code. Thereafter, on February 15, 2011, the Bankruptcy Court issued an order clarifying the Bankruptcy Court Opinion and the Bankruptcy Court Confirmation Order (the Clarifying Order ). Among other things, the Clarifying Order provided that any references in the Bankruptcy Court Opinion and the Bankruptcy Court Confirmation Order to a recommendation that the District Court confirm the PI Settlement Plan were thereby amended to make clear that the PI

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Settlement Plan was confirmed and that the Bankruptcy Court was requesting that the District Court issue and affirm the Confirmation Order including the injunction under

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Section 524(g) of the Bankruptcy Code. On March 11, 2011, the Bankruptcy Court entered an order granting in part and denying in part a motion to reconsider the Bankruptcy Court Opinion filed by BNSF Railway Company (the March 11 Order). Among other things, the March 11 Order amended the Bankruptcy Court Opinion to clarify certain matters relating to objections to the PI Settlement Plan filed by BNSF.

Various parties appealed or otherwise challenged the Bankruptcy Court Opinion and the Bankruptcy Court Confirmation Order, including without limitation with respect to issues relating to releases and injunctions contained in the PI Settlement Plan. On June 28 and 29, 2011, the District Court heard oral arguments in connection with appeals of the Bankruptcy Court Opinion and the Bankruptcy Court Confirmation Order. On January 30, 2012, the District Court issued a memorandum opinion (the District Court Opinion) and confirmation order (the District Court Confirmation Order) overruling all objections to the PI Settlement Plan and confirming the PI Settlement Plan in its entirety (including the issuance of the injunction under Section 524(g) of the Bankruptcy Code). On February 2, 2012, Garlock Sealing Technologies LLC (Garlock) filed a motion (the Garlock Reargument Motion) with the District Court requesting that the District Court grant reargument, rehearing, or otherwise amend the District Court Opinion and the District Court Confirmation Order insofar as they overrule Garlock's objections to the PI Settlement Plan. On February 13, 2012, the Company, Cryovac, and Fresenius Medical Care Holdings, Inc. filed a joint motion (the Sealed Air/Fresenius Motion) with the District Court. The Sealed Air/Fresenius Motion does not seek to disturb confirmation of the PI Settlement Plan but requests that the District Court amend and clarify certain matters in the District Court Opinion and the District Court Confirmation Order. Also on February 13, 2012, Grace and the other proponents of the PI Settlement Plan filed a motion (the Plan Proponents Motion) with the District Court requesting certain of the same amendments and clarifications sought by the Sealed Air/Fresenius Motion. On February 27, 2012, certain asbestos claimants known as the Libby Claimants filed a response to the Sealed Air/Fresenius Motion and the Plan Proponents Motion (the Libby Response). The Libby Response does not oppose the Sealed Air/Fresenius Motion or the Plan Proponents Motion but indicates, among other things, that: (a) the Libby Claimants have reached a settlement in principle of their objections to the PI Settlement Plan but that this settlement has not become effective and (b) the Libby Claimants reserve their rights with respect to the PI Settlement Plan pending the effectiveness of the Libby Claimants' settlement. In addition, parties have appealed the District Court Opinion and the District Court Confirmation Order to the United States Court of Appeals for the Third Circuit (the Third Circuit Court of Appeals). By orders dated February 23, 2012, the Third Circuit Court of Appeals stayed appeals of the District Court Opinion and the District Court Confirmation Order pending disposition of motions filed in the District Court with respect to the District Court Opinion and the District Court Confirmation Order. The District Court has not ruled on the Garlock Reargument Motion, the Sealed Air/Fresenius Motion, or the Plan Proponents Motion. In addition, on February 27, 2012, Garlock filed a motion (the Garlock Stay Motion) requesting that the District Court stay the District Court Opinion and the District Court Confirmation Order until the later of 14 days after the disposition of the Garlock Reargument Motion or disposition of any timely appeal by Garlock of the District Court Opinion and the District Court Confirmation Order. The District Court has not ruled on the Garlock Stay Motion.

If it becomes effective, the PI Settlement Plan may implement the terms of the Settlement agreement, but there can be no assurance that this will be the case notwithstanding the confirmation of the PI Settlement Plan by the Bankruptcy Court and the District Court. The terms of the PI Settlement Plan remain subject to amendment. Moreover, the PI Settlement Plan is subject to the satisfaction of a number of conditions which are more fully set forth in the PI Settlement Plan and include, without limitation, the availability of exit financing and the approval of the PI Settlement Plan becoming final and no longer subject to appeal. Parties have appealed the District Court Confirmation Order to the Third Circuit Court of Appeals or otherwise challenged the District Court Opinion and the District Court Confirmation Order. Matters relating to the PI Settlement Plan, the Bankruptcy and District Court Opinions, and the Bankruptcy and District Court Confirmation Orders may be subject to further appeal, challenge, and proceedings before the District Court, the Third Circuit Court of Appeals, or other courts. Parties may designate various issues to be considered in challenging the PI Settlement Plan, the Bankruptcy and District Court Opinions, or the Bankruptcy and District Court Confirmation Orders, including, without limitation, issues relating to releases and injunctions contained in the PI Settlement Plan.

While the Bankruptcy Court and the District Court have confirmed the PI Settlement Plan, we do not know whether or when the Third Circuit Court of Appeals will affirm the District Court Confirmation Order or the District Court Opinion, whether or when the Bankruptcy and District Court Opinions or the Bankruptcy and District Court Confirmation Orders will become final and no longer subject to appeal, or whether or when a final plan of reorganization (whether the PI Settlement Plan or another plan of reorganization) will become effective. Assuming that a final plan of reorganization (whether the PI Settlement Plan or another plan of reorganization) is confirmed by the Bankruptcy Court and the District Court, and does become effective, we do not know whether the final plan of reorganization will be consistent with the terms of the Settlement agreement or if the other conditions to our obligation to pay the Settlement agreement amount will be met. If these conditions are not satisfied or not waived by us, we will not be obligated to pay the amount contemplated by the Settlement agreement. However, if we do not pay the Settlement agreement amount, we and our affiliates will not be released from the various claims against us.

If the Settlement agreement does not become effective, either because Grace fails to emerge from bankruptcy or because Grace does not emerge from bankruptcy with a plan of reorganization that is consistent with the terms of the Settlement agreement, then we and our affiliates will not be released from the various asbestos-related, fraudulent transfer, successor liability, and indemnification claims made against us and our affiliates noted above, and all of these claims would remain pending and would have to be resolved through other means, such as through agreement on alternative settlement terms or trials. In that case, we could face liabilities that are significantly different from our obligations under the Settlement agreement. We cannot estimate at this time what those differences or their magnitude may be. In the event these liabilities

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are materially larger than the current existing obligations, they could have a material adverse effect on our consolidated financial condition or results of operations.

Since November 2004, the Company and specified subsidiaries have been named as defendants in a number of cases, including a number of putative class actions, brought in Canada as a result of Grace's alleged marketing, manufacturing or distributing of asbestos or asbestos containing products in Canada prior to the Cryovac transaction in 1998. Grace has agreed to defend and indemnify us and our subsidiaries in these cases. The Canadian cases are currently stayed. A global settlement of these Canadian claims to be funded by

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Grace has been approved by the Canadian court, and the PI Settlement Plan provides for payment of these claims. We do not have any positive obligations under the Canadian settlement, but we are a beneficiary of the release of claims. The release in favor of the Grace parties (including us) will become operative upon the effective date of a plan of reorganization in Grace's United States Chapter 11 bankruptcy proceeding. As filed, the PI Settlement Plan contemplates that the claims released under the Canadian settlement will be subject to injunctions under Section 524(g) of the Bankruptcy Code. As indicated above, the Bankruptcy Court entered the Bankruptcy Court Confirmation Order on January 31, 2011 and the Clarifying Order on February 15, 2011 and the District Court entered the District Court Confirmation Order on January 30, 2012; however, we can give no assurance that the PI Settlement Plan (or any other plan of reorganization) will become effective. Assuming that a final plan of reorganization (whether the PI Settlement Plan or another plan of reorganization) is confirmed by the Bankruptcy Court and the District Court, and does become effective, if the final plan of reorganization does not incorporate the terms of the Canadian settlement or if the Canadian courts refuse to enforce the final plan of reorganization in the Canadian courts, and if in addition Grace is unwilling or unable to defend and indemnify us and our subsidiaries in these cases, then we could be required to pay substantial damages, which we cannot estimate at this time and which could have a material adverse effect on our consolidated financial condition or results of operations.

For further information concerning these matters, see Note 17, Commitments and Contingencies.

***We require a significant amount of cash to service our indebtedness. The ability to generate cash and/or refinance our indebtedness as it becomes due depends on many factors, some of which are beyond our control.***

Our ability to make payments on our indebtedness, including our senior notes and our new Credit Facility, and to fund planned capital expenditures, research and development efforts and other corporate expenses depends on our future operating performance and on economic, financial, competitive, legislative, regulatory and other factors. Many of these factors are beyond our control. We cannot assure that our business will generate sufficient cash flow from operations, that currently anticipated cost savings, including synergies related to our acquisition of Diversy, and operating improvements will be realized or that future borrowings will be available to us in an amount sufficient to enable us to repay our indebtedness or to fund our other operating requirements. Significant delays in our planned capital expenditures may materially and adversely affect our future revenue prospects.

***The indenture governing our new senior notes and the credit agreement for our new Credit Facility restrict our ability and the ability of most of our subsidiaries to engage in some business and financial transactions.***

*New Senior Notes.* The indenture governing our new senior notes contains restrictive covenants that, among other things, limit our ability to:

incur additional indebtedness;

pay dividends, redeem stock or make other distributions;

make investments;

create liens;

transfer or sell assets;

merge or consolidate; and

enter into certain transactions with our affiliates.

*New Credit Facility.* The credit agreement for our new Credit Facility contains a number of covenants that:

require us to meet specified financial ratios and financial tests;

restrict our ability to declare dividends;

restrict our ability to redeem and repurchase capital stock;

limit our ability to incur additional liens;

limit our ability to engage in sale-leaseback transactions; and

limit our ability to incur additional debt and make investments.

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The credit agreement for our new Credit Facility also contains other covenants customary for credit facilities of this nature. Our ability to borrow additional amounts under our Credit Facility depends upon satisfaction of these covenants. Events beyond our control can affect our ability to meet these covenants.

***Raw material pricing, availability and allocation by suppliers as well as energy-related costs may negatively impact our results of operations, including our profit margins.***

We use petrochemical-based raw materials to manufacture many of our products. The prices for these raw materials are cyclical, and increases in market demand or fluctuations in the global trade for petrochemical-based raw materials and energy could increase our costs. In addition, the prices of many of the key raw materials used in our Diversey business, such as caustic soda, solvents, waxes, phosphates, surfactants, polymers and resins, chelates and fragrances, are cyclical based on numerous supply and demand factors that are beyond our control. If we are unable to minimize the effects of increased raw material costs through sourcing, pricing or other actions, our business, consolidated financial condition or results of operations may be materially adversely affected. We also have some sole-source suppliers, and the lack of availability of supplies could have a material adverse effect on our consolidated financial condition or results of operations.

Natural disasters such as hurricanes, as well as political instability and terrorist activities, may negatively impact the production or delivery capabilities of refineries and natural gas and petrochemical suppliers and suppliers of other raw materials in the future. These factors could lead to increased prices for our raw materials, curtailment of supplies and allocation of raw materials by our suppliers, which could reduce revenues and profit margins and harm relations with our customers and which could have a material adverse effect on our consolidated financial condition or results of operations.

***The effects of animal and food-related health issues such as bovine spongiform encephalopathy, also known as mad cow disease, foot-and-mouth disease and avian influenza or bird-flu, as well as other health issues affecting the food industry may lead to decreased revenues.***

We manufacture and sell food packaging products, among other products. Various health issues affecting the food industry have in the past and may in the future have a negative effect on the sales of food packaging products. In recent years, occasional cases of mad cow disease have been confirmed and incidents of bird flu have surfaced in various countries. Outbreaks of animal diseases may lead governments to restrict exports and imports of potentially affected animals and food products, leading to decreased demand for our products and possibly also to the culling or slaughter of significant numbers of the animal population otherwise intended for food supply. Also, consumers may change their eating habits as a result of perceived problems with certain types of food. These factors may lead to reduced sales of food businesses' products, which could have a material adverse effect on our consolidated financial condition or results of operations.

***Demand for our products could be adversely affected by changes in consumer preferences.***

Our sales depend heavily on the volumes of sales by our customers in the food processing and food service industries. Consumer preferences for food and packaging formats of prepackaged food can influence our sales, as can consumer preferences for fresh and unpackaged foods. Changes in consumer behavior, including changes in consumer preferences driven by various health-related concerns and perceptions, could negatively impact demand for our products.

***The consolidation of customers may adversely affect our business, consolidated financial condition or results of operations.***

Customers in the building care, food service, food and beverage processing, lodging, retail and health care sectors have been consolidating in recent years, and we believe this trend may continue. Such consolidation could have an adverse impact on the pricing of our products and services and our ability to retain customers, which could in turn adversely affect our business, consolidated financial condition or results of operations.

***We experience competition in the markets for our products and services and in the geographic areas in which we operate.***

Our packaging products compete with similar products made by other manufacturers and with a number of other types of materials or products. We compete on the basis of performance characteristics of our products, as well as service, price and innovations in technology. A number of competing domestic and foreign companies are well-established.

The market for our Diversey segment's products is highly competitive. Our Diversey segment faces significant competition from global, national, regional and local companies within some or all of its product lines in each sector that it serves. Barriers to entry and expansion in the institutional and industrial cleaning, sanitation and hygiene industry are low.





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Our inability to maintain a competitive advantage could result in lower prices or lower sales volumes for our products, which would have an adverse impact on our consolidated financial condition or results of operations.

***Concerns about greenhouse gas ( GHG ) emissions and climate change and the resulting governmental and market responses to these issues could increase costs that we incur and could otherwise affect our consolidated financial condition or results of operations.***

Numerous legislative and regulatory initiatives have been enacted and proposed in response to concerns about GHG emissions and climate change. We are a manufacturing entity that utilizes petrochemical-based raw materials to produce many of our products, including plastic packaging materials. Increased environmental legislation or regulation could result in higher costs for us in the form of higher raw materials and freight and energy costs. We could also incur additional compliance costs for monitoring and reporting emissions and for maintaining permits. It is also possible that certain materials might cease to be permitted to be used in our processes.

***Disruption and volatility of the financial and credit markets could affect our external liquidity sources.***

Our principal sources of liquidity are accumulated cash and cash equivalents, short-term investments, cash flow from operations and amounts available under our existing and new lines of credit, including our new Credit Facility and our accounts receivable securitization program. We cannot assure that we will be able to refinance any of our indebtedness, including our new senior notes and our new Credit Facility, on commercially reasonable terms or at all. Our accounts receivable securitization program includes a bank financing commitment that must be renewed annually prior to the expiration date. The bank financing commitment was renewed on December 2, 2011. While the bank is not obligated to renew the bank financing commitment, we have negotiated annual renewals since the commencement of the program in 2001.

Additionally, conditions in financial markets could affect financial institutions with which we have relationships and could result in adverse effects on our ability to utilize fully our committed borrowing facilities. For example, a lender under the senior secured credit facilities may be unwilling or unable to fund a borrowing request, and we may not be able to replace such lender.

***Strengthening of the U.S. dollar and other foreign currency exchange rate fluctuations could materially impact our consolidated financial condition or results of operations.***

A majority of our net sales are generated outside the United States. We translate sales and other results denominated in foreign currency into U.S. dollars for our consolidated financial statements. During periods of a strengthening U.S. dollar, our reported international sales and net earnings could be reduced because foreign currencies may translate into fewer U.S. dollars.

Also, while we often produce in the same geographic markets as our products are sold, expenses are more concentrated in the United States compared with sales, so that in a time of strengthening of the U.S. dollar, our profit margins could be reduced. While we use financial instruments to hedge certain foreign currency exposures, this does not insulate us completely from foreign currency effects.

We have recognized foreign exchange gains and losses related to the currency devaluations in Venezuela and its designation as a highly inflationary economy under U.S. GAAP, effective January 1, 2010. See Sealed Air Management's Discussion and Analysis of Financial Condition and Results of Operations Quantitative and Qualitative Disclosures About Market Risk Foreign Exchange Rates Venezuela.

We may use financial instruments from time to time to manage exposure to foreign exchange rate fluctuations, which exposes us to counterparty credit risk for non-performance. See Note 12, Derivatives and Hedging Activities.

In all jurisdictions in which we operate, we are also subject to laws and regulations that govern foreign investment, foreign trade and currency exchange transactions. These laws and regulations may limit our ability to repatriate cash as dividends or otherwise to the United States and may limit our ability to convert foreign currency cash flows into U.S. dollars.

***The full realization of our deferred tax assets, including primarily those related to the Settlement agreement, may be affected by a number of factors.***

We have deferred tax assets related to the Settlement agreement, other accruals not yet deductible for tax purposes, foreign tax credits, foreign net operating loss carry forwards and investment tax allowances, employee benefit items, and other items. We have established valuation allowances to reduce those deferred tax assets to an amount that is more likely than not to be realized. Our



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ability to utilize these deferred tax assets depends in part upon our future operating results. We expect to realize these assets over an extended period. If we are unable to generate sufficient future taxable income in certain jurisdictions, or if there is a significant change in the time period within which the underlying temporary differences become taxable or deductible, we could be required to increase our valuation allowances against our deferred tax assets. This would result in an increase in our effective tax rate, and would have an adverse effect on our future consolidated results of operations. In addition, changes in statutory tax rates may change our deferred tax assets or liability balances, with either favorable or unfavorable impact on our effective tax rate. Our deferred tax assets may also be impacted by new legislation or regulation.

Our largest deferred tax asset relates to our Settlement agreement. The value of this asset, which was \$384 million at December 31, 2011, may be affected by our tax situation at the time of the payment under the Settlement agreement as well as by the value of our common stock at that time. The deferred tax asset reflects the fair market value of 18 million shares of our common stock at a post-split price of \$17.86 per share based on the price when the Settlement agreement was reached in 2002. We will not be able to realize this deferred tax asset and related cash tax benefits until a plan of reorganization of Grace becomes effective.

***Our annual effective income tax rate can change materially as a result of changes in our mix of U.S. and foreign earnings and other factors, including changes in tax laws and changes made by regulatory authorities.***

Our overall effective income tax rate is equal to our total tax expense as a percentage of total earnings before tax. However, income tax expense and benefits are not recognized on a global basis but rather on a jurisdictional or legal entity basis. Losses in one jurisdiction may not be used to offset profits in other jurisdictions and may cause an increase in our tax rate. Income tax provision changes in statutory tax rates and laws, as well as ongoing audits by domestic and international authorities, could affect the amount of income taxes and other taxes paid by us. For example, legislative proposals to change U.S. taxation of non-U.S. earnings could increase our effective tax rate. Also, changes in the mix of earnings (or losses) between jurisdictions and assumptions used in the calculation of income taxes, among other factors, could have a significant effect on our overall effective income tax rate. In addition, our effective tax rate would increase if we were unable to generate sufficient future taxable income in certain jurisdictions, or if we were otherwise required to increase our valuation allowances against our deferred tax assets.

***We are subject to taxation in multiple jurisdictions. As a result, any adverse development in the tax laws of any of these jurisdictions or any disagreement with our tax positions could have a material adverse effect on our business, consolidated financial condition or results of operations.***

We are subject to taxation in, and to the tax laws and regulations of, multiple jurisdictions as a result of the international scope of our operations and our corporate and financing structure. We are also subject to transfer pricing laws with respect to our intercompany transactions, including those relating to the flow of funds among our companies. Adverse developments in these laws or regulations, or any change in position regarding the application, administration or interpretation thereof, in any applicable jurisdiction, could have a material adverse effect on our business, consolidated financial condition or results of our operations. In addition, the tax authorities in any applicable jurisdiction, including the United States, may disagree with the positions we have taken or intend to take regarding the tax treatment or characterization of any of our transactions. If any applicable tax authorities, including U.S. tax authorities, were to successfully challenge the tax treatment or characterization of any of our transactions, it could have a material adverse effect on our business, consolidated financial condition or results of our operations.

***Our performance and prospects for future growth could be adversely affected if new products do not meet sales or margin expectations.***

Our competitive advantage is due in part to our ability to develop and introduce new products in a timely manner at favorable margins. The development and introduction cycle of new products can be lengthy and involve high levels of investment. New products may not meet sales or margin expectations due to many factors, including our inability to (i) accurately predict demand, end-user preferences and evolving industry standards; (ii) resolve technical and technological challenges in a timely and cost-effective manner; or (iii) achieve manufacturing efficiencies.

***A major loss of or disruption in our manufacturing and distribution operations or our information systems and telecommunication resources could adversely affect our business, consolidated financial condition or results of operations.***

If we experienced a natural disaster, such as a tornado, hurricane, earthquake or other severe weather event, or a casualty loss from an event such as a fire or flood, at one of our larger strategic facilities or if such event affected a key supplier, our supply chain or our information systems and telecommunication resources, then there could be a material adverse effect on our consolidated financial condition or results of operations.

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We are dependent on internal and third party information technology networks and systems, including the Internet, to process,

transmit and store electronic information. In particular, we depend on our information technology infrastructure for fulfilling and invoicing customer orders, applying cash receipts, and placing purchase orders with suppliers, making cash disbursements, and conducting digital marketing activities, data processing and electronic communications among business locations. We also depend on telecommunication systems for communications between company personnel and our customers and suppliers. Future system disruptions, security breaches or shutdowns could significantly disrupt our operations or result in lost or misappropriated information and may have a material adverse effect on our business, consolidated financial condition or results of operations.

***We recorded a significant amount of additional goodwill and other identifiable intangible assets as a result of the acquisition of Diversey, and we may never realize the full carrying value of these assets.***

As a result of the acquisition of Diversey, we recorded a significant amount of additional goodwill and other identifiable intangible assets, including customer relationships, trademarks and developed technologies.

We test goodwill and intangible assets with indefinite useful lives for possible impairment annually during the fourth quarter of each fiscal year or more frequently if events or changes in circumstances indicate that the asset might be impaired. Amortizable intangible assets are periodically reviewed for possible impairment whenever there is evidence that events or changes in circumstances indicate that the carrying value may not be recoverable. Impairment may result from, among other things, (i) a decrease in our expected net earnings; (ii) adverse equity market conditions; (iii) a decline in current market multiples; (iv) a decline in our common stock price; (v) a significant adverse change in legal factors or business climates; (vi) an adverse action or assessment by a regulator; (vii) heightened competition; (viii) strategic decisions made in response to economic or competitive conditions; or (ix) a more-likely-than-not expectation that a reporting unit or a significant portion of a reporting unit will be sold or disposed of. In the event that we determine that events or circumstances exist that indicate that the carrying value of goodwill or identifiable intangible assets may no longer be recoverable, we might have to recognize a non-cash impairment of goodwill or other identifiable intangible assets, which could have a material adverse effect on our consolidated financial condition or results of operations.

***Product liability claims or regulatory actions could adversely affect our financial results or harm our reputation or the value of our brands.***

Claims for losses or injuries purportedly caused by some of our products arise in the ordinary course of our business. In addition to the risk of substantial monetary judgments, product liability claims or regulatory actions could result in negative publicity that could harm our reputation in the marketplace or adversely impact the value of our brands or our ability to sell our products in certain jurisdictions. We could also be required to recall possibly defective products, which could result in adverse publicity and significant expenses. Although we maintain product liability insurance coverage, potential product liability claims could be excluded or exceed coverage limits under the terms of our insurance policies or could result in increased costs for such coverage.

***The relationship with S.C. Johnson & Son, Inc. ( SCJ ) is important to our Diversey business, and any damage to this relationship could have a material adverse effect on the Diversey business.***

Our Diversey segment is party to various agreements with SCJ, including a brand license agreement (the BLA ), a technology disclosure and license agreement, supply and manufacturing agreements and several leases. Under the BLA, Diversey is granted a license in specified territories to sell certain SCJ products and use specified trade names and house marks owned by SCJ including the right to use Johnson in combination with its owned trade name Diversey, in the institutional and industrial channels of trade and, subject to certain limitations, in specified channels of trade in which both Diversey's business and SCJ's consumer business operate. SCJ and its affiliates supply products under the BLA. Sales of these products have historically been significant to Diversey's business. In addition, in some countries, Diversey depends on SCJ to produce or sell some of its products. If we default under our agreements with SCJ and the agreements are terminated, SCJ fails to perform its obligations under these agreements, or our relationship with SCJ is otherwise damaged or severed, this could have a material adverse effect on our Diversey business, consolidated financial condition or results of operations.

Diversey also holds licenses to use some trademarks and technology of Unilever in the market for institutional and industrial cleaning, sanitation and hygiene products and related services under license agreements with Unilever. We believe that these license agreements are significant to our Diversey business and the termination of our rights under any of these agreements may have a material adverse effect on our Diversey business, consolidated financial condition or results of operations.

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***If we are unable to retain key employees and other personnel, our consolidated financial condition or results of operations may be adversely affected.***

Our success depends largely on the efforts and abilities of our management team and other key personnel. Their experience and industry contacts significantly benefit us, and we need their expertise to execute our business strategies. If any of our senior management or other key personnel ceases to work for us, our business, consolidated financial condition or results of operations may be materially adversely affected.

The integration process and our ability to successfully conduct the combined business going forward will require the experience and expertise of key employees from both Sealed Air and Diversey. Therefore, the ability to successfully integrate operations, as well as the future success of the combined company's operations, will depend in part on our ability to retain such key employees. We may not be able to retain key employees for the time period necessary to complete the integration process or beyond. Although we do not have any reason to believe any of these employees will cease to be employed by us, the loss of such employees could adversely affect our business, consolidated financial condition or results of operations.

On July 28, 2011, David H. Kelsey notified us of his resignation as Chief Financial Officer of the Company effective as of August 12, 2011. Tod S. Christie, who was serving as the Company's Treasurer, was appointed as the Interim Chief Financial Officer, effective as of the close of business on August 12, 2011. We intend to appoint a new Chief Financial Officer once we have identified and agreed on terms with a suitable candidate. We can provide no assurance as to how long it will take us to appoint a new Chief Financial Officer.

***We could experience disruptions in operations and/or increased labor costs.***

In Europe and Latin America, the majority of our employees is represented by labor unions and is covered by collective bargaining agreements, which are generally renewable on an annual basis. As is the case with any negotiation, we may not be able to negotiate acceptable new collective bargaining agreements, which could result in strikes or work stoppages by affected workers. Renewal of collective bargaining agreements could also result in higher wages or benefits paid to union members. A disruption in operations or higher ongoing labor costs could materially affect our business.

***The United States Patient Protection and Affordable Care Act and the United States Health Care and Education Reconciliation Act of 2010 could result in increased costs related to our postretirement benefit plans.***

In March 2010, the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 were signed into law. These statutes include a number of provisions that will impact companies that provide retiree health care benefits through postretirement benefit plans and will require certain changes to be made to individual plans in order to comply with the new legislation.

In addition, these statutes require changes to our information technology infrastructure and in our administrative processes. The ultimate extent and cost of these changes, including the timing of when these costs will be recognized in our consolidated financial statements, cannot be determined at this time but will continue to be evaluated as regulations and interpretations relating to the legislation become available.

***We are subject to a variety of environmental and product registration laws that expose us to potential financial liability and increased operating costs.***

Our operations are subject to a number of federal, state, local and foreign environmental, health and safety laws and regulations that govern, among other things, the manufacture of our products, the discharge of pollutants into the air, soil and water and the use, handling, transportation, storage and disposal of hazardous materials.

Some jurisdictions have laws and regulations that govern the registration and labeling of some of our products. Some of these laws require us to have operating permits for our production and warehouse facilities and operations. Any failure to obtain, maintain or comply with the terms of these permits could result in fines or penalties, revocation or nonrenewal of our permits, or orders to cease certain operations, and may have a material adverse effect on our business, financial condition, results of operations and cash flows. For example, a recent unfavorable court decision regarding a municipal operating permit for one of our food packaging facilities in Sao Paulo, Brazil leaves the facility subject to an administrative procedure that could lead to the closure of the facility. Although we are working to resolve the dispute, if our facility is required to close or relocate we could incur substantial costs.



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We generate, use and dispose of hazardous materials in our manufacturing processes. In the event our operations result in the release of hazardous materials into the environment, we may become responsible for the costs associated with the investigation and

remediation of sites at which we have released pollutants, or sites where we have disposed or arranged for the disposal of hazardous wastes, even if we fully complied with environmental laws at the time of disposal. We have been, and may continue to be, responsible for the cost of remediation at some locations.

We expect significant future environmental compliance obligations in our European operations as a result of a European Union ( EU ) Directive Registration, Evaluation, Authorization, and Restriction of Chemicals (EU Directive No. 2006/1907) enacted on December 18, 2006. The directive imposes several requirements related to the identification and management of risks related to chemical substances manufactured or marketed in Europe. The EU has also recently enacted a "Classification, Packaging and Labeling" regulation. Other jurisdictions may impose similar requirements.

We cannot predict with reasonable certainty the future cost to us of environmental compliance, product registration, or environmental remediation. Environmental laws have become more stringent and complex over time. Our environmental costs and operating expenses will be subject to evolving regulatory requirements and will depend on the scope and timing of the effectiveness of requirements in these various jurisdictions. As a result of such requirements, we may be subject to an increased regulatory burden, and we expect significant future environmental compliance obligations in our operations. Increased compliance costs, increasing risks and penalties associated with violations, or our inability to market some of our products in certain jurisdictions may have a material adverse effect on our business, consolidated financial condition or results of operations.

### ***The legacy Diversey business had tendered various environmental indemnification claims to Unilever pursuant to the Unilever Acquisition Agreement (as defined below).***

Under a previous acquisition agreement between the legacy Diversey business and Unilever (the Unilever Acquisition Agreement ), Unilever made warranties to Diversey with respect to the facilities formerly owned by Unilever. In addition, Unilever agreed to indemnify Diversey for specified types of environmental liabilities if the aggregate amount of damages meets various dollar thresholds, subject to a cap of \$250 million in the aggregate. Diversey was required to notify Unilever of any environmental indemnification claims by May 3, 2008. Any environmental claims pending after this date, with respect to which Diversey has notified Unilever, remain subject to indemnification until remediation is completed in accordance with the Unilever Acquisition Agreement. If Diversey incurs damages or liabilities that do not meet the indemnity thresholds under the Unilever Acquisition Agreement, if Diversey failed to notify Unilever of an environmental indemnity claim within the period specified in the Unilever Acquisition Agreement or if the aggregate limits on indemnity payments under the Unilever Acquisition Agreement become applicable, Diversey would not be entitled to indemnity from Unilever for such non-qualifying claims and it would be required to bear the costs.

Diversey has previously tendered various environmental indemnification claims to Unilever in connection with former Unilever locations. Unilever has not indicated its agreement with Diversey's request for indemnification. We may file additional requests for reimbursement in the future in connection with pending indemnification claims. However, there can be no assurance that we will be able to recover any amounts relating to these indemnification claims from Unilever.

### ***Our insurance policies may not cover all operating risks and a casualty loss beyond the limits of our coverage could adversely impact our business.***

Our business is subject to operating hazards and risks relating to handling, storing, transporting and use of the products we sell. We maintain insurance policies in amounts and with coverage and deductibles that we believe are reasonable and prudent. Nevertheless, our insurance coverage may not be adequate to protect us from all liabilities and expenses that may arise from claims for personal injury or death or property damage arising in the ordinary course of business, and our current levels of insurance may not be maintained or available in the future at economical prices. If a significant liability claim is brought against us that is not adequately covered by insurance, we may have to pay the claim with our own funds, which could have a material adverse effect on our business, consolidated financial condition or results of operations.

### ***If we are not able to protect our trade secrets or maintain our trademarks, patents and other intellectual property, we may not be able to prevent competitors from developing similar products or from marketing their products in a manner that capitalizes on our trademarks, and this loss of a competitive advantage could decrease our profitability and liquidity.***

Our ability to compete effectively with other companies depends, in part, on our ability to maintain the proprietary nature of our owned and licensed intellectual property. If we were unable to maintain the proprietary nature of our intellectual property and our significant current or



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proposed products, this loss of a competitive advantage could result in decreased sales or increased operating costs, either of which could have a material adverse effect on our business, consolidated financial condition or results of operations.

We rely on trade secrets to maintain our competitive position, including protecting the formulation and manufacturing techniques of many of our products. As such, we have not sought U.S. or international patent protection for some of our principal product formula and manufacturing processes. Accordingly, we may not be able to prevent others from developing products that are similar to or competitive with our products.

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We own a large number of patents and pending patent applications on our products, aspects thereof, methods of use, and/or methods of manufacturing. There is a risk that our patents may not provide meaningful protection and patents may never be issued for our pending patent applications.

We own, or have licenses to use, all of the material trademark and trade name rights used in connection with the packaging, marketing and distribution of our major products both in the United States and in other countries where our products are principally sold. Trademark and trade name protection is important to our business. Although most of our trademarks are registered in the United States and in the foreign countries in which we operate, we may not be successful in asserting trademark or trade name protection. In addition, the laws of some foreign countries may not protect our intellectual property rights to the same extent as the laws of the United States. The costs required to protect our trademarks and trade names may be substantial.

We cannot be certain that we will be able to assert these intellectual property rights successfully in the future or that they will not be invalidated, circumvented or challenged. Other parties may infringe on our intellectual property rights and may thereby dilute the value of our intellectual property in the marketplace. Third parties, including competitors, may assert intellectual property infringement or invalidity claims against us that could be upheld. Intellectual property litigation, which could result in substantial cost to and diversion of effort by us, may be necessary to protect our trade secrets or proprietary technology or for us to defend against claimed infringement of the rights of others and to determine the scope and validity of others' proprietary rights. We may not prevail in any such litigation, and if we are unsuccessful, we may not be able to obtain any necessary licenses on reasonable terms or at all.

Any failure by us to protect our trademarks and other intellectual property rights may have a material adverse effect on our business, consolidated financial condition or results of operations.

### ***The relocation of manufacturing capability from Diversey's U.S. manufacturing facility could adversely affect our business, consolidated financial condition or results of operations.***

Our legacy Diversey business manufactures a significant portion of the products it sells. The lease from SCJ of the Waxdale manufacturing facility in Sturtevant, Wisconsin will expire on May 31, 2013, and we do not plan to renew this lease after expiration. We have made arrangements to relocate its manufacturing capability by moving some production to its other locations in North America, and by pursuing contract manufacturing for a portion of its product lines. The timeline to transition out of Waxdale is not certain, but production is expected to cease and decommissioning is expected to begin during the first half of 2012. This relocation may pose significant risks, which could include:

the risk that we may be unable to integrate successfully the relocated manufacturing operations;

the risk that we may be unable to coordinate management and integrate and retain employees of the relocated manufacturing operations;

the risk that we may face difficulties in implementing and maintaining consistent standards, controls, procedures, policies and information systems;

the risk that we may fail to realize anticipated synergies, economies of scale or other anticipated benefits, or to maintain operating margins;

potential strains on our personnel, systems and resources, and diversion of attention from other priorities; and

any unforeseen or contingent liabilities of the relocated manufacturing operations.

***We may not achieve growth through acquisitions.***

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As part of our business strategy, we may from time to time pursue acquisitions of companies that we believe are strategic to our business. There can be no assurance that we will be able to identify attractive acquisition targets, negotiate satisfactory terms for acquisitions or obtain necessary financing for acquisitions. Further, acquisitions involve risks, including that acquired businesses will not perform in accordance with expectations, that we will not realize the operating efficiencies expected from acquisitions and that business judgments concerning the value, strengths and weaknesses of companies we acquire will prove to have been incorrect. If we fail to complete acquisitions, if we acquire companies but are not able to successfully integrate them with our business or if we do not otherwise realize the anticipated financial and strategic goals for our acquisitions, our business and results of operations may be adversely affected. In addition, future acquisitions may result in the incurrence of debt and contingent liabilities and an increase in interest expense, amortization expenses and significant charges relating to integration costs.

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*The combination of our business with the Diversey business will require significant management attention, and we may incur significant additional integration costs because of integration difficulties and other challenges.*

We are in the process of integrating the Diversey business with our legacy business. We are required to devote significant management attention and resources to integrating the two businesses. Our failure to meet the challenges involved in successfully completing the integration of our operations could adversely affect our results of operations. Challenges involved in the integration include:

integrating successfully each company's operations; and

combining corporate cultures, maintaining employee morale and retaining key employees.

We may not successfully complete the integration of our operations in a timely manner and may have difficulty integrating the Diversey business. We may not achieve the synergy targets that we currently anticipate. We may experience disruptions in relationships with current and new employees, customers and suppliers.

We already have incurred and we expect to incur additional non-recurring costs associated with combining the operations of the two companies. Some of these costs may be higher than anticipated. We may also incur unanticipated costs, including costs to maintain employee morale, retain key employees and successfully integrate the Diversey business.

*We have made certain assumptions relating to the acquisition of Diversey in our forecasts that may prove to be materially inaccurate.*

We have made certain assumptions relating to the forecast level of cost savings, revenue synergies and associated costs of the acquisition of Diversey. Our assumptions relating to the forecast level of cost savings, revenue synergies and associated costs of the acquisition may be inaccurate based on the information available to us or as a result of the failure to realize the expected benefits of the acquisition, higher than expected integration costs, unknown liabilities and global economic and business conditions that may adversely affect the combined company following the completion of the acquisition.

**Item 1B. Unresolved Staff Comments**

None.

**Item 2. Properties**

We manufacture products in 145 facilities, with 44 of those facilities serving more than one of our business segments and our Other category of products. The geographic dispersion of our manufacturing facilities is as follows:

Geographic Region	Number of Manufacturing Facilities
North America	57
Europe, Middle East and Africa (EMEA)	47
Latin America	15
Asia Pacific	26
<b>Total</b>	<b>145</b>

**Manufacturing Facilities by Reportable Segment and Other**

*Food Packaging:* We produce Food Packaging products in 36 manufacturing facilities, of which 13 are in North America, 9 in the EMEA region, 7 in Latin America, and 7 in the Asia-Pacific region.

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*Food Solutions:* We produce Food Solutions products in 41 manufacturing facilities, of which 14 are in North America, 15 in the EMEA region, 5 in Latin America, and 7 in the Asia-Pacific region.

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*Protective Packaging:* We produce Protective Packaging products in 73 manufacturing facilities, of which 32 are in North America, 23 in the EMEA region, 7 in Latin America, and 11 in the Asia-Pacific region.

*Diversey:* We produce Diversey products in 27 manufacturing facilities, of which 7 are in North America, 11 in the EMEA region, 3 in Latin America, and 6 in the Asia-Pacific region.

*Other Products:* We produce Other products in 26 manufacturing facilities, of which 10 are in North America, 12 in the EMEA region, 3 in Latin America, and 1 in the Asia-Pacific region.

## **Other Property Information**

We own the large majority of our manufacturing facilities. Some of these facilities are subject to secured or other financing arrangements. We lease the balance of our manufacturing facilities, which are generally smaller sites. Our manufacturing facilities are usually located in general purpose buildings that house our specialized machinery for the manufacture of one or more products. Because of the relatively low density of our air cellular, polyethylene foam and protective mailer products, we realize significant freight savings by locating our manufacturing facilities for these products near our customers and distributors.

We also occupy facilities containing sales, distribution, technical, warehouse or administrative functions at a number of locations in the United States and in many foreign countries. Some of these facilities are located on the manufacturing sites that we own and some on those that we lease. Stand-alone facilities of these types are generally leased. Our global headquarters are located in a leased property in Elmwood Park, New Jersey. For a list of those countries outside of the United States where we have operations, see *Foreign Operations* above. Our website, [www.sealedair.com](http://www.sealedair.com), contains additional information about our worldwide business.

We believe that our manufacturing, warehouse, office and other facilities are well maintained, suitable for their purposes and adequate for our needs.

## **Item 3. Legal Proceedings**

The information set forth in Part II, Item 8 of this Annual Report on Form 10-K in Note 17, *Commitments and Contingencies*, under the caption *Cryovac Transaction Commitments and Contingencies* is incorporated herein by reference.

At December 31, 2011, we were a party to, or otherwise involved in, several federal, state and foreign environmental proceedings and private environmental claims for the cleanup of Superfund sites under the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 and other sites. We may have potential liability for investigation and cleanup of some of these sites. It is our policy to accrue for environmental cleanup costs if it is probable that a liability has been incurred and if we can reasonably estimate an amount or range of costs associated with various alternative remediation strategies, without giving effect to any possible future insurance proceeds. As assessments and cleanups proceed, we review these liabilities periodically and adjust our reserves as additional information becomes available. At December 31, 2011, environmental related reserves were not material to our consolidated financial condition or results of operations. While it is often difficult to estimate potential liabilities and the future impact of environmental matters, based upon the information currently available to us and our experience in dealing with these matters, we believe that our potential future liability with respect to these sites is not material to our consolidated financial condition or results of operations.

We are also involved in various other legal actions incidental to our business. We believe, after consulting with counsel, that the disposition of these other legal proceedings and matters will not have a material effect on our consolidated financial condition or results of operations.

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**Item 4. *Mine Safety Disclosures.***

Not applicable

**Table of Contents****Part II****Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities****Market Information**

Our common stock is listed on the New York Stock Exchange under the trading symbol SEE. The table below shows the quarterly high and low closing sales prices of our common stock and cash dividends per share for 2011 and 2010.

<b>2011</b>	<b>High</b>	<b>Low</b>	<b>Dividends</b>
First Quarter	\$ 28.52	\$ 25.15	\$ 0.13
Second Quarter	26.90	21.89	0.13
Third Quarter	23.87	16.70	0.13
Fourth Quarter	18.72	15.61	0.13

<b>2010</b>	<b>High</b>	<b>Low</b>	<b>Dividends</b>
First Quarter	\$ 22.02	\$ 18.84	\$ 0.12
Second Quarter	23.26	19.72	0.12
Third Quarter	22.96	19.49	0.13
Fourth Quarter	25.59	22.25	0.13

As of January 31, 2012, there were approximately 6,000 holders of record of our common stock.

**Dividends**

Our new Credit Facility and the Notes contain covenants that restrict our ability to declare or pay dividends. However, we do not believe these covenants are likely to materially limit the future payment of quarterly cash dividends on our common stock.

The following table shows our total cash dividends paid each year since we initiated quarterly cash dividend payments in 2006.

	<b>Total Cash Dividends Paid (In millions)</b>	<b>Total Cash Dividends Paid per Common Share</b>
2006	\$ 48.6	\$ 0.30
2007	64.6	0.40
2008	76.4	0.48
2009	75.7	0.48
2010	79.7	0.50
2011	87.4	0.52
<b>Total</b>	<b>\$ 432.4</b>	

On February 16, 2012, our Board of Directors declared a quarterly cash dividend of \$0.13 per common share payable on March 16, 2012 to stockholders of record at the close of business on March 2, 2012. The estimated amount of this dividend payment is \$25 million based on 192 million shares of our common stock issued and outstanding as of January 31, 2012.



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The dividend payments discussed above are recorded as reductions to cash and cash equivalents and retained earnings on our consolidated balance sheets. From time to time, we may consider other means of returning value to our stockholders based on our consolidated financial condition and results of operations. There is no guarantee that our Board of Directors will declare any further dividends.

### **Common Stock Performance Comparisons**

The following graph shows, for the five years ended December 31, 2011, the cumulative total return on an investment of \$100 assumed to have been made on December 31, 2006 in our common stock. The graph compares this return ( SEE ) with that of comparable investments assumed to have been made on the same date in: (a) the Standard & Poor's 500 Stock Index ( Composite S&P 500 ); (b) a prior self-constructed peer group ( Peer Group 1 ) and (c) an updated self-constructed peer group ( Peer Group 2 ).

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The prior Peer Group 1 includes us and the following other companies: Avery Dennison Corporation; Ball Corporation; Bemis Company, Inc.; Crown Holdings, Inc.; Greif, Inc.; MeadWestvaco Corporation; Owens-Illinois, Inc.; Packaging Corporation of America; Pactiv Corporation (for 2006 through 2009); Rock-Tenn Company; Rockwood Holdings Inc.; Silgan Holdings Inc.; Sonoco Products Co.; and Temple-Inland, Inc. Pactiv Corporation is included in Peer Group 1 only in the periods 2006 through 2009. Pactiv was acquired on November 16, 2010 and concurrently delisted as a public company.

In 2011, as a result of the acquisition of Diversey, we revised our peer group and designated it Peer Group 2, which replaced Peer Group 1 beginning January 1, 2012. We decided to utilize Peer Group 2 rather than Peer Group 1 because we believe that Peer Group 2 more closely represents public companies in packaging and chemical and related industries that are comparable to us based on sales, total assets, numbers of employees and market capitalization following the Diversey acquisition. Further, the Organization and Compensation Committee of our Board of Directors, or Compensation Committee, will use this peer group to benchmark executive compensation going forward.

The updated Peer Group 2 includes us and the following companies: Agrium Inc., Air Products & Chemicals, Inc.; Ashland Inc.; Avery Dennison Corporation; Ball Corporation; Bemis Company, Inc.; Celanese Corporation; Crown Holdings, Inc.; Eastman Chemical Company; Ecolab Inc.; Huntsman Corporation; MeadWestvaco Corporation; Monsanto Company; The Mosaic Company; Owens-Illinois, Inc.; PPG Industries, Inc.; Praxair, Inc.; The Sherwin-Williams Company; and Sonoco Products Co.

Total return for each assumed investment assumes the reinvestment of all dividends on December 31 of the year in which the dividends were paid.

**5-Year Compound Annual Growth Rate**

**SEE: (-9.7%)**

**Composite S&P 500: (-0.2%)**

**Peer Group 1: (+4.5%)**

**Peer Group 2: (+5.4%)**

**Table of Contents****Issuer Purchases of Equity Securities**

The table below sets forth the total number of shares of our common stock, par value \$0.10 per share, that we repurchased in each month of the quarter ended December 31, 2011, the average price paid per share and the maximum number of shares that may yet be purchased under our publicly announced plans or programs.

<b>Period</b>	<b>Total Number of Shares Purchased</b>	<b>Average Price Paid Per Share</b>	<b>Total Number of Share Purchased As Part of Publicly Announced Plans or Programs</b>	<b>Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs</b>
	<b>(1)</b>			
	<b>(a)</b>	<b>(b)</b>	<b>(c)</b>	<b>(d)</b>
Balance as of September 30, 2011		\$		15,546,142
October 1, 2011 through October 31, 2011	8,500			15,546,142
November 1, 2011 through November 30, 2011	8,000			15,546,142
December 1, 2011 through December 31, 2011	4,220			15,546,142
<b>Total</b>	<b>20,720</b>	<b>\$</b>		<b>15,546,142</b>

(1) We did not purchase any shares during the quarter ended December 31, 2011 pursuant to our publicly announced program (described below). We did acquire shares by means of (a) shares withheld from awards under our 2005 contingent stock plan pursuant to the provision thereof that permits tax withholding obligations or other legally required charges to be satisfied by having us withhold shares from an award under that plan and (b) shares reacquired pursuant to the forfeiture provision of our 2005 contingent stock plan. (See table below.) We report price calculations in column (b) in the table above only for shares purchased as part of our publicly announced program, when applicable, including commissions. For shares withheld for tax withholding obligations or other legally required charges, we withhold shares at a price equal to their fair market value. We do not make payments for shares reacquired by the Company pursuant to the forfeiture provision of the 2005 contingent stock plan as those shares are simply forfeited.

<b>Period</b>	<b>Shares withheld for tax obligations and charges</b>	<b>Average withholding price for shares in column a</b>	<b>Forfeitures under 2005 Contingent Stock Plan</b>	<b>Total</b>
	<b>(a)</b>	<b>(b)</b>	<b>(c)</b>	<b>(d)</b>
October 2011		\$	8,500	8,500
November 2011			8,000	8,000
December 2011	3,420	18.46	800	4,220
<b>Total</b>	<b>3,420</b>	<b>\$ 18.46</b>	<b>17,300</b>	<b>20,720</b>

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

**Table of Contents****Item 6. Selected Financial Data**

	2011(1)	Year Ended December 31,			2007
		2010	2009	2008	
	(In millions, except per common share data)				
<b>Consolidated Statements of Operations Data(2):</b>					
Net sales	\$ 5,640.9	\$ 4,490.1	\$ 4,242.8	\$ 4,843.5	\$ 4,651.2
Gross profit	1,641.2	1,252.8	1,218.5	1,236.6	1,301.1
Operating profit	447.4	535.0	492.3	396.5	549.3
Earnings before income tax provision	216.1	343.4	329.9	222.3	456.0
Net earnings	149.1	255.9	244.3	179.9	353.0
Basic and diluted net earnings per common share:					
Basic	\$ 0.89	\$ 1.61	\$ 1.54	\$ 1.13	\$ 2.19
Diluted	\$ 0.80	\$ 1.44	\$ 1.35	\$ 0.99	\$ 1.88
Common stock dividends	\$ 88.7	\$ 80.9	\$ 77.5	\$ 76.4	\$ 64.6
<b>Consolidated Balance Sheets Data:</b>					
Cash and cash equivalents	\$ 722.8	\$ 675.6	\$ 694.5	\$ 128.9	\$ 430.3
Intangible assets, net	2,103.2	78.0	58.4	64.2	70.4
Goodwill	4,220.5	1,945.9	1,948.7	1,938.1	1,969.7
Total assets	11,496.7	5,399.4	5,420.1	4,986.0	5,438.3
Settlement agreement and related accrued interest	831.2	787.9	746.8	707.8	670.9
Long-term debt, less current portion(3)	5,010.9	1,399.2	1,626.3	1,289.9	1,531.6
Total stockholders' equity	2,952.4	2,401.6	2,200.3	1,925.6	2,025.5
Working capital	879.1	592.3	639.6	50.5	194.5
<b>Consolidated Cash Flows Data:</b>					
Net cash provided by operating activities	\$ 392.1	\$ 483.1	\$ 552.0	\$ 404.4	\$ 378.1
Net cash used in investing activities	(2,370.4)	(96.9)	(70.3)	(176.7)	(274.1)
Net cash provided by (used in) financing activities	2,023.6	(373.0)	90.3	(562.9)	(59.5)
<b>Other Financial Data:</b>					
Depreciation and amortization(4)	\$ 189.5	\$ 154.7	\$ 154.5	\$ 155.0	\$ 150.4
Share-based incentive compensation(4)	25.0	30.6	38.8	16.5	15.9
Capital expenditures	124.5	87.6	80.3	180.7	210.8

- (1) Includes the financial results of Diversey for the period beginning October 3, 2011 through December 31, 2011. The financial results included in this Form 10-K related to the acquisition accounting for the Diversey transaction are subject to change as the acquisition method of accounting is not yet finalized and dependent upon the finalization of management's review of certain independent valuations and studies. See Note 3, Acquisition of Diversey Holdings, Inc., for further information about the acquisition and related transactions and the acquisition method of accounting.
- (2) See Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, for a discussion of the factors that contributed to our consolidated operating results for the three years ended December 31, 2011.
- (3) See Note 11, Debt and Credit Facilities, for a discussion of our outstanding debt and available lines of credit.
- (4) The depreciation and amortization amounts for 2007 and 2008 have been adjusted to exclude share-based incentive compensation expense to conform to the 2009 through 2011 presentation. Share-based incentive compensation expense is included in marketing, administrative and development expenses on our consolidated statements of operations for all periods.



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### **Item 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations***

The information in Management's Discussion and Analysis of Financial Condition and Results of Operations ( MD&A ) should be read together with our consolidated financial statements and related notes set forth in Part II, Item 8, as well as the discussion included in Part I, Item 1A, Risk Factors, of this Annual Report on Form 10-K. All amounts and percentages are approximate due to rounding and all dollars are in millions, except per share amounts.

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

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

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

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

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

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



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

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

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

### **Overview**

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

At December 31, 2011, we employed approximately 8,200 sales, marketing and customer service personnel throughout the world who sell and market our products to and through a large number of distributors, fabricators, converters, e-commerce and mail order fulfillment firms, and contract packaging firms as well as directly to end-users such as food processors, foodservice businesses, supermarket retailers, lodging, retail pharmaceutical companies, health care facilities, medical device manufacturers, and other manufacturers. We have no material long-term contracts for the distribution of our products. In 2011, no customer or affiliated group of customers accounted for 10% or more of our consolidated net sales.

Historically, net sales in our food businesses have tended to be slightly lower in the first quarter and slightly higher towards the end of the third quarter through the fourth quarter, due to holiday events. Net sales in our Protective Packaging segment have also tended to be slightly lower in the first quarter and higher during the back-to-school season in the mid-third quarter and through the fourth quarter due to the holiday shopping season. The Diversey segment's net sales trend slightly lower in the first quarter, while second quarter sales represent a modest seasonal peak due to the European-based lodging and food and beverage demand. On a consolidated basis, there is little seasonality in the business, with net sales slightly lower in the first quarter and slightly higher towards the end of the third quarter through the fourth quarter. Our consolidated net earnings typically trend directionally the same as our net sales seasonality.

However, other factors may outweigh the effects of seasonal changes in our net earnings results including, but not limited to, changes in raw materials and other costs, foreign exchange rates, interest rates, taxes and restructuring and the timing and amount of acquisition synergies and other non-recurring charges.

Competition for most of our packaging products is based primarily on packaging performance characteristics, service and price. Competition is also based upon innovations in packaging technology and, as a result, we maintain ongoing research and development programs to enable us to maintain technological leadership. Our Diversey solutions face a wide spectrum of competitors across each product category. Competition is both global and regional in scope and includes numerous small, local competitors with limited product portfolios and geographic reach. For more details, see Competition included in Business, of Item 1, Part I.

Our net sales are sensitive to developments in our customers' business or market conditions, changes in the global economy, and the effects of foreign currency translation. Our costs can vary materially due to changes in input costs, including petrochemical-related costs (primarily resin costs), which are not within our control. Consequently, our management focuses on reducing those costs that we can control and using



petrochemical-based and other raw materials as efficiently as possible. We also believe that our global presence helps to insulate us from localized changes in business conditions.

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We manage our businesses to generate substantial operating cash flow. We believe that our operating cash flow will permit us to continue to spend on innovative research and development and to invest in our business by means of capital expenditures for property and equipment and acquisitions. Moreover, we expect that our ability to generate substantial operating cash flow should provide us with the flexibility to repay debt and to return capital to our stockholders.

### **Significant 2011 Events**

#### *Acquisition of Diversey*

On October 3, 2011, we completed the acquisition of Diversey. The financial results presented in this MD&A include the financial results of Diversey for the period beginning October 3, 2011 through December 31, 2011. See Note 1, Organization and Nature of Operations, and Note 3, Acquisition of Diversey Holdings, Inc., for further details.

#### *Quarterly Cash Dividends*

We declared and paid quarterly cash dividends of \$0.13 per common share on March 18, 2011 to stockholders of record at the close of business on March 4, 2011, on June 17, 2011 to stockholders of record at the close of business on June 3, 2011, on September 16, 2011 to stockholders of record at the close of business on September 2, 2011 and on December 16, 2011 to stockholders of record at the close of business on December 2, 2011. We used available cash totaling \$87 million to pay these quarterly cash dividends.

On February 16, 2012, our Board of Directors declared a quarterly cash dividend of \$0.13 per common share payable on March 16, 2012 to stockholders of record at the close of business on March 2, 2012. The estimated amount of this dividend payment is \$25 million based on 192 million shares of our common stock issued and outstanding as of January 31, 2012.

### **2012 Outlook**

Our 2012 Adjusted EPS is anticipated to be in the range of \$1.50 per share to \$1.60 per share.

Our Adjusted EPS range reflects the following assumptions:

net sales in the range of \$8.2 billion to \$8.3 billion, which includes an assumption of a full year unfavorable impact from foreign currency translation;

cost of sales as a percent of net sales of 65%, which includes \$20 million of synergies (see 2011 2014 Integration and Optimization Program below);

marketing, administrative and development expense in the range of 24% to 25% of net sales, which includes \$30 million of synergies (see 2011 2014 Integration and Optimization Program below);

depreciation and amortization expense of \$320 million, which includes \$135 million of amortization of acquired intangible assets;

amortization expense of non-cash, share-based compensation of \$25 million;

interest expense of \$380 million;

core tax rate of 30%; and

weighted average diluted common shares of 211 million.

Additionally, we anticipate capital expenditures to be in the range of \$180 million to \$190 million, which includes capital expenditures associated with the 2011-2014 Integration and Optimization Program. See [Restructuring Activities](#) below.

Our adjusted EPS outlook excludes the payment of the Settlement agreement, as the exact timing of the settlement is unknown. Final payment of the Settlement agreement is expected to be accretive to EPS by approximately \$0.13 annually following the payment date under the assumption of using a substantial portion of cash on hand for the payment and ceasing to accrue interest on the Settlement agreement amount. Additionally, our outlook excludes any non-operating gains or losses that may be recognized in 2012 due to currency fluctuations in Venezuela.

**Table of Contents****Highlights of Financial Performance**

Below are the highlights of our financial performance for the three years ended December 31, 2011.

	2011	2010	2009	2011 vs. 2010 %	2010 vs. 2009 %
Net sales	\$ 5,640.9	\$ 4,490.1	\$ 4,242.8	26%	6%
Gross profit	\$ 1,641.2	\$ 1,252.8	\$ 1,218.5	31%	3%
<i>As a % of net sales</i>	29.1%	27.9%	28.7%		
Marketing, administrative and development expenses(1)	1,034.9	699.0	707.5	48	(1)
<i>As a % of net sales</i>	18.3%	15.6%	16.7%		
Amortization expense of intangible assets acquired	41.3	11.2	11.7	#	(4)
Costs related to the acquisition of Diversey	64.8			#	
Restructuring and other charges	52.8	7.6	7.0	#	9
Operating profit	\$ 447.4	\$ 535.0	\$ 492.3	(16)%	9%
<i>As a % of total net sales</i>	7.9%	11.9%	11.6%		
Interest expense	(217.1)	(161.6)	(154.9)	34%	4%
Other expense, net	(13.9)	(2.9)	(0.1)	#	#
Net earnings available to common stockholders	\$ 149.1	\$ 255.9	\$ 244.3	(42)%	5%
Net earnings available to common stockholders-diluted	\$ 148.3	\$ 254.4	\$ 246.9	(42)%	3%
Net earnings per common share:					
Basic	\$ 0.89	\$ 1.61	\$ 1.54	(45)%	4%
Diluted	\$ 0.80	\$ 1.44	\$ 1.35	(44)%	7%
Weighted average number of common shares outstanding:					
Basic	167.0	158.3	157.2	5%	1%
Diluted	185.4	176.7	182.6	5%	(3)%
Non-U.S. GAAP adjusted diluted net earnings per common share	\$ 1.31	\$ 1.60	\$ 1.44	(18)%	11%

# Denotes a variance greater than or equal to 100%, or not meaningful.

(1) The marketing, administrative and development expenses for 2009 and 2010 have been adjusted to exclude amortization expense of intangible assets acquired to conform to the 2011 presentation.



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

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

	Year Ended December 31,					
	2011		2010		2009	
	Net Earnings	EPS	Net Earnings	EPS	Net Earnings	EPS
<b>U.S. GAAP net earnings and EPS available to common stockholders-diluted</b>	<b>\$ 148.3</b>	<b>\$ 0.80</b>	<b>\$ 254.4</b>	<b>\$ 1.44</b>	<b>\$ 246.9</b>	<b>\$ 1.35</b>
<i>Items excluded from the calculation of adjusted net earnings</i>						
<i>available to common stockholders and adjusted EPS,</i>						
<i>net of taxes when applicable(1):</i>						
<i>Special items:</i>						
Add: Costs related to the acquisition of Diversey	46.0	0.24	-	-	-	-
Add: Integration and optimization program restructuring charges	34.3	0.19	-	-	-	-
Add: Additional cost of sales for the step-up in inventories	8.6	0.05	-	-	-	-
Add: Legacy Diversey non-recurring charges	9.0	0.05	-	-	-	-
Add: Loss on debt redemption	-	-	24.3	0.14	2.1	0.01
Add: Global manufacturing strategy charges	-	-	5.1	0.03	11.4	0.07
Add: European manufacturing facility closure charges	0.2	-	4.8	0.03	-	-
Less: Gain on sale of facility	(3.2)	(0.02)	-	-	-	-
Less: Gain on sale of available-for-sale securities, net of impairment	-	-	(3.7)	(0.02)	2.5	0.01
Add / (less): Foreign currency exchange losses (gains) related to Venezuelan subsidiaries	0.2	-	(3.6)	(0.02)	-	-
<b>Non-U.S. GAAP adjusted net earnings and EPS</b>	<b>\$ 243.4</b>	<b>\$ 1.31</b>	<b>\$ 281.3</b>	<b>\$ 1.60</b>	<b>\$ 262.9</b>	<b>\$ 1.44</b>

(1) The income tax effect on the special items included in the table above is detailed in the table below.

**Tax Effect on Special Items**

	Year Ended December 31,		
	2011	2010	2009
Costs related to the acquisition of Diversey	\$18.8	\$-	\$-
Integration and optimization program restructuring charges	18.6	-	-
Additional cost of sales for the step-up in inventories	3.0	-	-
Legacy Diversey non-recurring charges	3.6	-	-
Loss on debt redemption	-	14.2	1.3
Global manufacturing strategy charges	-	2.3	5.3
European manufacturing facility closure charges	0.1	2.1	-
Gain on sale of facility	(0.7)	-	-
Gain on sale of available-for-sale securities, net of impairment	-	(2.2)	1.5
Foreign currency exchange losses/gains related to Venezuelan subsidiaries	0.1	(1.9)	-

See Note 19, Net Earnings Per Common Share, for details on the calculation of our U.S. GAAP basic and diluted EPS.

The discussions that follow provide further details about the material factors that contributed to the changes in our EPS for the three years ended December 31, 2011.

**Table of Contents****Net Sales by Segment Reporting Structure**

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

	2011	2010	2009	2011 vs. 2010 %	2010 vs. 2009 %
				Change	Change
Net sales:					
Food Packaging	\$ 2,053.2	\$ 1,923.6	\$ 1,839.8	7%	5%
As a % of total net sales	36%	43%	43%		
Food Solutions	1,015.4	934.9	891.7	9	5
As a % of total net sales	18%	21%	21%		
Protective Packaging	1,409.5	1,299.4	1,192.9	8	9
As a % of total net sales	25%	29%	28%		
Diversey	795.9			#	#
As a % of total net sales	14%	%	%		
Other	366.9	332.2	318.4	10	4
As a % of total net sales	7%	7%	8%		
Total	\$ 5,640.9	\$ 4,490.1	\$ 4,242.8	26%	6%

# Denotes a variance greater than or equal to 100%, or not meaningful.

**Net Sales by Geographic Region**

The following table presents our net sales by geographic region:

	2011	2010	2009	2011 vs. 2010 %	2010 vs. 2009 %
				Change	Change
Net sales:					
U.S.	\$ 2,305.2	\$ 2,081.6	\$ 1,969.1	11%	6%
As a % of total net sales	41%	46%	46%		
International	3,335.7	2,408.5	2,273.7	39	6
As a % of total net sales	59%	54%	54%		
Total net sales	\$ 5,640.9	\$ 4,490.1	\$ 4,242.8	26%	6%

By geographic region, the components of the increase in net sales for 2011 compared with 2010 were as follows:

2011 compared with 2010

		U.S.		International		Total Company	
Volume	Units	\$ 17.4	1%	\$ 59.5	3%	\$ 76.9	2%
Volume	Acquired businesses, net of dispositions	115.0	6	682.3	28	797.3	18
Product price/mix		91.1	4	30.7	1	121.8	3
Foreign currency translation				154.8	7	154.8	3

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Total		\$ 223.5	11%	\$ 927.3	39%	\$ 1,150.8	26%
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By geographic region, the components of the increase in net sales for 2010 compared with 2009 were as follows:

*2010 compared with 2009*

		U.S.		International		Total Company	
Volume	Units	\$ 116.4	6%	\$ 99.3	4%	\$ 215.7	5%
Volume	Acquired businesses, net of dispositions	(1.8)		(1.8)		(3.6)	
Product price/mix		(2.0)		(32.7)	(1)	(34.7)	(1)
Foreign currency translation				69.9	3	69.9	2
Total		\$ 112.6	6%	\$ 134.7	6%	\$ 247.3	6%



**Table of Contents***Foreign Currency Translation Impact on Net Sales*

As shown above, 59% of our consolidated net sales in 2011 were generated outside the U.S. Since we are a U.S. domiciled company, we translate our foreign currency-denominated net sales into U.S. dollars. Due to the changes in the value of foreign currencies relative to the U.S. dollar, translating our net sales from foreign currencies to U.S. dollars may result in a favorable or unfavorable impact. The most significant currencies that contributed to the translation of our net sales and our other consolidated financial results in 2011 were the euro, the Australian dollar, the Brazilian real, the Canadian dollar, the British pound and the Mexican peso.

We experienced a favorable impact from the translation of our foreign currency-denominated net sales of \$155 million in 2011 compared with 2010. Approximately \$152 million of this favorable impact was experienced in the first nine months of 2011 as the U.S. dollar began to strengthen against most of the significant currencies that contribute to our net sales and other consolidated financial results in the fourth quarter of 2011.

In 2010, we experienced a favorable foreign currency translation impact on net sales of \$70 million compared with 2009 due to the strengthening of most foreign currencies against the U.S. dollar.

**Components of Change in Net Sales**

The following tables present the components of change in net sales by our segment reporting structure for 2011 compared with 2010 and 2010 compared with 2009. We also present the change in net sales excluding the impact of foreign currency translation, a non-U.S. GAAP measure, which we define as constant dollar. We believe using constant dollar measures aids in the comparability between periods.

<b>2011 Compared with 2010</b>	<b>Food Packaging</b>		<b>Food Solutions</b>		<b>Protective Packaging</b>		<b>Diversey</b>	<b>Other</b>		<b>Total Company</b>		
Volume Units	\$ 8.9	1%	\$ (1.2)		\$ 50.1	4%	\$	%	\$ 19.1	6%	\$ 76.9	2%
Volume Acquired businesses, net of (dispositions)	0.4				1.0		795.9				797.3	18
Product price/mix(1)	58.6	3	38.1	4	21.3	2			3.8	1	121.8	3
Foreign currency translation	61.7	3	43.6	5	37.7	3			11.8	4	154.8	3
<b>Total change (U.S. GAAP)</b>	<b>\$ 129.6</b>	<b>7%</b>	<b>\$ 80.5</b>	<b>9%</b>	<b>\$ 110.1</b>	<b>9%</b>	<b>\$ 795.9</b>	<b>%</b>	<b>\$ 34.7</b>	<b>11%</b>	<b>\$ 1,150.8</b>	<b>26%</b>
Impact of foreign currency translation	\$ (61.7)	(3)%	\$ (43.6)	(5)%	\$ (37.7)	(3)%	\$	%	\$ (11.8)	(4)%	\$ (154.8)	(4)%
<b>Total constant dollar change (Non-U.S. GAAP)</b>	<b>\$ 67.9</b>	<b>4%</b>	<b>\$ 36.9</b>	<b>4%</b>	<b>\$ 72.4</b>	<b>6%</b>	<b>\$ 795.9</b>	<b>%</b>	<b>\$ 22.9</b>	<b>7%</b>	<b>\$ 996.0</b>	<b>22%</b>

<b>2010 Compared with 2009</b>	<b>Food Packaging</b>		<b>Food Solutions</b>		<b>Protective Packaging</b>		<b>Other</b>		<b>Total Company</b>			
Volume Units	\$ 64.1	4%	\$ 25.5	3%	\$ 107.5	9%	\$ 18.6	6%	\$ 215.7	5%		
Volume Acquired businesses, net of (dispositions)							(1.8)	(1.8)	(1)	(3.6)		
Product price/mix(1)			(30.2)	(2)	4.9	1	(9.9)	(1)	0.5	(34.7)	(1)	
Foreign currency translation			49.9	3	12.8	1	10.7	1	(3.5)	(1)	69.9	2
<b>Total change (U.S. GAAP)</b>			<b>\$ 83.8</b>	<b>5%</b>	<b>\$ 43.2</b>	<b>5%</b>	<b>\$ 106.5</b>	<b>9%</b>	<b>\$ 13.8</b>	<b>4%</b>	<b>\$ 247.3</b>	<b>6%</b>

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Impact of foreign currency translation	\$ (49.9)	(3)%	\$ (12.8)	(1)%	\$ (10.7)	(1)%	\$ 3.5	1%	\$ (69.9)	(2)%
<b>Total constant dollar change (Non-U.S. GAAP)</b>	<b>\$ 33.9</b>	<b>2%</b>	<b>\$ 30.4</b>	<b>4%</b>	<b>\$ 95.8</b>	<b>8%</b>	<b>\$ 17.3</b>	<b>5%</b>	<b>\$ 177.4</b>	<b>4%</b>

- (1) Our product price/mix reported above includes the net impact of our pricing actions and rebates as well as the period-to-period change in the mix of products sold. Also included in our reported product price/mix is the net effect of some of our customers purchasing our products in non-U.S. dollar or euro denominated countries at selling prices denominated in U.S. dollars or euros. This primarily arises when we export products from the U.S. and euro-zone countries. The impact to our reported product price/mix of these purchases in other countries at selling prices denominated in U.S. dollars or euros was not material for 2011 compared with 2010 and approximately \$17 million unfavorable for 2010 compared with 2009. In 2010, this effect was most pronounced in our Food Packaging segment, in part due to the volatility in Venezuelan exchange rates.

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The following net sales discussion is on a constant dollar basis.

### ***Food Packaging Segment Net Sales***

#### *2011 compared with 2010*

The \$68 million, or 4%, constant dollar increase in 2011 compared with 2010 was primarily due to:

favorable product price/mix in the U.S. of \$48 million, or 5%, from the benefits of pricing actions that were implemented to offset rising raw materials costs, as well as formula contract price adjustments;

higher unit volumes in the U.S. of \$14 million, or 2%, mostly due to new business gains and, to a lesser extent, a slight increase in some of our customers' animal production rates resulting in higher sales of some of our packaging formats. These factors primarily affected the first nine months of 2011; and

higher unit volumes in Europe of \$11 million, or 3%, mostly due to the expansion of our growth programs, higher equipment demand from new and existing customers and continued acceleration of our presence in developing countries in central Europe and the Middle East, most of which was experienced in the first nine months of 2011.

These favorable drivers were partially offset by lower unit volumes in Canada of \$14 million, or 18%, primarily due to a customer loss. This customer loss is not considered material to our consolidated net sales.

#### *2010 compared with 2009*

The \$34 million, or 2%, constant dollar increase in net sales in 2010 compared with 2009 was primarily due to:

higher unit volumes in North America of \$36 million, or 4%, and in the Latin American region of \$22 million, or 8%, mostly due to an increase in our customers' beef production rates, resulting in higher demand for most of our packaging formats; partially offset by:

unfavorable impacts of product price/mix in North America of \$12 million, or 1%, and in the Latin American region of \$9 million, or 3%.

The unfavorable impact of product price/mix in North America was primarily due to selectively lower pricing associated with higher customer volume commitments, which offset the benefits of our price increases and formula contract adjustments in the year. The unfavorable impact of product price/mix in the Latin American region was primarily due to the volatility of the Venezuelan currency as discussed above.

### ***Food Solutions Segment Net Sales***

#### *2011 compared with 2010*

The \$37 million, or 4%, constant dollar increase in net sales in 2011 compared with 2010 was primarily due to:

favorable product price/mix in the U.S. of \$25 million, or 7%, and Europe of \$10 million, or 3%, both from the benefits of pricing actions that were implemented to offset rising raw materials costs and formula price adjustments;

higher unit volumes in Australia of \$9 million, or 7%, primarily due to higher demand for our fresh dairy packaging products, which occurred primarily in the first half of 2011; and

higher unit volumes in Europe of \$8 million, or 3%, mostly due to higher sales of our case-ready, ready meal and vertical pouch packaging products and, to a lesser extent, higher equipment demand from new and existing customers.

These favorable drivers were partially offset by lower unit volumes in the U.S. of \$25 million, or 7%, resulting from a change in our case-ready format by a major retailer in mid-2010. A portion of this lost unit volume is now being supplied to the major retailer in another format by our Food Packaging segment. The remainder of the lost unit volume was not material to our consolidated net sales.

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### *2010 compared with 2009*

The \$30 million, or 4%, constant dollar increase in net sales in 2010 compared with 2009 was primarily due to:

higher unit volumes in Europe of \$11 million, or 3%, and North America of \$10 million, or 3%, mostly due to increased demand for our ready meals packaging products and, to a lesser extent, our vertical pouch packaging products; and

favorable product price/mix in North America of \$12 million, or 3%, from the benefits of both prior price increases and contract adjustments.

These factors were partially offset by a decline in product price/mix in Europe of \$5 million, or 2%, primarily due to the timing of price adjustments for changes in resin costs experienced in the first half of 2010.

### ***Protective Packaging Segment Net Sales***

#### *2011 compared with 2010*

The \$72 million, or 6%, constant dollar increase in 2011 compared with 2010 was primarily due to higher unit volumes in the U.S. of \$29 million, or 4%, in Asia of \$13 million, or 11%, and in Europe of \$6 million, or 2%. These unit volume increases were predominantly due to higher year-over-year industrial production rates in those regions, which in turn favorably affected the sales of our protective packaging products to existing customers in the order fulfillment space and our inflatable materials and equipment systems to new and existing customers in the e-commerce space. We also experienced favorable product price/mix in the U.S. of \$12 million, or 2%, and in Europe of \$10 million, or 3%, due to the benefits of pricing actions that were implemented to offset rising raw materials costs.

#### *2010 compared with 2009*

The \$96 million, or 8%, constant dollar increase in net sales in 2010 compared with 2009 was primarily the result of higher unit volumes in North America of \$60 million, or 9%, in Europe of \$24 million, or 7%, and in the Asia Pacific region of \$17 million, or 13%. These increases were principally attributable to improving economic conditions in these regions, which were consistent with manufacturing output and export and shipping trends. Also contributing to the higher unit volumes, to a lesser extent, was strength in fulfillment and e-commerce applications.

### ***Diversey Segment Net Sales***

Reported net sales were \$796 million in the fourth quarter of 2011 and are included in the year over year comparison as volume acquired businesses, net of (dispositions).

### ***Other Net Sales***

#### *2011 compared to 2010*

The \$23 million, or 7%, constant dollar increase in net sales in 2011 compared with 2010 was primarily due to higher unit volumes in Europe of \$10 million, or 6%, primarily in our Specialty Materials business, which was attributable to higher demand for our products from the construction sector. Also contributing to this increase was higher unit volumes in our Medical Applications business in Asia of \$6 million, or 28%, since we received Chinese government approval to import, distribute and sell a reformulated medical film late in the third quarter of 2010.

#### *2010 compared to 2009*

The \$17 million, or 5%, constant dollar increase in 2010 compared with 2009 was primarily attributed to higher unit volumes in North America of \$12 million, or 11%, and in Europe of \$16 million, or 11%. These increases were primarily attributable to higher unit volumes for some of our Specialty Materials products, which were principally the result of improving economic conditions in these regions, consistent with manufacturing output and export and shipping trends. Partially offsetting these factors was lower unit volumes in our Medical Applications business in Asia of \$13 million, or 38%, primarily due to the impact of an April 2010 licensing expiration in China. Late in the third quarter of

2010, our license was renewed.

**Table of Contents****Cost of Sales**

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

In this cost of sales section and in the marketing, administrative and development expenses section below, when we refer to variable incentive compensation we are referring to our annual U.S. profit sharing contribution (in both sections) and our annual cash incentive compensation (in the marketing, administrative and development expenses section). Variable incentive compensation does not include our share-based incentive compensation programs. Details about our share-based incentive compensation programs are included in Note 18, Stockholders' Equity.

Cost of sales for the three years ended December 31, 2011 was as follows:

	2011	2010	2009	2011 vs. 2010 % Change	2010 vs. 2009 % Change
Cost of sales	\$ 3,999.7	\$ 3,237.3	\$ 3,024.3	24%	7%
<i>As a % of net sales</i>	<i>71%</i>	<i>72%</i>	<i>71%</i>		
<i>2011 compared with 2010</i>					

The \$762 million increase in cost of sales in 2011 compared with 2010 was primarily due to:

a \$472 million incremental impact of Diversey's cost of sales included in our results in the fourth quarter of 2011;

higher raw materials costs of \$125 million attributable to the increased average cost per pound of resin in 2011;

an unfavorable impact of foreign currency translation of \$115 million; and

higher transportation and energy-related costs of \$20 million.

*2010 compared with 2009*

The \$213 million increase in cost of sales in 2010 compared with 2009 was primarily due to:

higher average petrochemical-based raw material expenditures due to additional consumption from the 5% increase in sales volume in 2010;

higher raw materials costs of approximately \$130 million attributable to the increased average cost per pound of resin in 2010;

higher other input costs, including transportation and energy-related costs of \$30 million in 2010; and

the unfavorable impact of foreign currency translation of \$53 million in 2010.



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The factors above that drove the increase in cost of sales in 2010 compared with 2009 were partially offset by our supply chain productivity improvements, including lower headcount in 2010 compared with 2009 despite higher unit volumes, and by the benefits of producing products in our new, low-cost facilities in developing regions.

Also partially offsetting the increase in cost of sales was lower variable incentive compensation expenses of \$6 million in 2010 compared with 2009 because we did not meet some of our 2010 financial performance goals.

Expenses included in cost of sales related to the implementation of GMS were \$4 million in 2010 compared with \$10 million in 2009.

**Marketing, Administrative and Development Expenses**

Marketing, administrative and development expenses for the three years ended December 31, 2011 is included in the table below. The amounts for 2010 and 2009 have been reclassified to conform to the 2011 presentation of these expenses as we now present the amortization of intangible assets acquired as a separate line item on our consolidated statements of operations.

	2011	2010	2009	2011 vs. 2010 % Change	2010 vs. 2009 % Change
Marketing, administrative and development expenses	\$ 1,034.9	\$ 699.0	\$ 707.5	48%	(1)%
<i>As a % of net sales</i>	<i>18%</i>	<i>16%</i>	<i>17%</i>		
<i>2011 compared with 2010</i>					

The \$336 million increase in marketing, administrative and development expenses in 2011 compared with 2010 was primarily due to:

a \$296 million incremental impact of Diversey's marketing, administrative and development expenses included in our results in the fourth quarter of 2011;

an unfavorable impact of foreign currency translation of \$21 million;

an increase in selling and marketing expenses of \$15 million to support our sales growth; and

higher development expenses of \$3 million due to additional headcount and increase in project spending to support strategic growth programs.

These factors were partially offset by a decrease in share-based compensation of \$6 million primarily because we did not achieve some of our 2011 financial performance goals.

*2010 compared with 2009*

Marketing, administrative and development expenses decreased \$9 million in 2010 compared with 2009. These expenses decreased primarily due to lower incentive compensation expenses of approximately \$30 million in 2010, primarily because we did not meet some of our 2010 financial performance goals. See the table below for further details.

This factor was partially offset by:

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higher sales and marketing costs to support the increase in net sales in 2010 compared with 2009, including higher travel and entertainment expenses of \$20 million; and

additional research and development expenses of \$5 million, which includes spending related to innovation and new product introductions.

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Our variable incentive compensation expense includes annual cash incentives and our annual U.S. profit sharing contribution. We also have long-term, share-based incentive compensation that is included in marketing, administrative and development expenses. The table below shows the year over year changes in these expenses in 2010 compared with 2009.

	2010	2009	2010 vs. 2009 Change
Annual cash incentive compensation	\$ 18.0	\$ 35.0	\$ (17.0)
Annual U.S. profit sharing contribution(1)	18.0	29.0	(11.0)
Share-based incentive compensation	30.6	38.8	(8.2)
Total	\$ 66.6	\$ 102.8	\$ (36.2)

(1) Approximately \$10 million in 2010 and \$16 million in 2009 of our U.S. profit sharing contribution expense is included in cost of sales.

**Amortization Expense of Intangible Assets Acquired**

Amortization expense of intangible assets acquired for the three years ended December 31, 2011 were as follows:

	2011	2010	2009
Amortization expense of intangible assets acquired	\$ 41.3	\$ 11.2	\$ 11.7

The increase in 2011 compared with 2010 was due to the amortization of the intangible assets acquired in connection with the acquisition of Diversey in the fourth quarter of 2011.

**Costs Related to the Acquisition of Diversey**

We recorded \$65 million of transaction and integration costs directly related to the acquisition of Diversey in 2011. The transaction related costs were \$55 million and primarily consist of financing commitment, legal, regulatory and appraisal fees. The remainder of the costs in both periods were integration costs primarily consisting of consulting fees. As discussed above, we have excluded these costs from our adjusted EPS calculations in 2011. See Note 3, Acquisition of Diversey Holdings, Inc., for further discussion of the acquisition.

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

As part of our previously announced integration of Diversey, we are undertaking a number of actions to integrate and realign our organization, further improve operating efficiencies and lower our overall cost structure to maximize cost synergies and better meet customers' needs. This program primarily consists of (i) a reduction in headcount, (ii) the consolidation of facilities, and (iii) the consolidation and streamlining of certain customer and vendor contracts and relationships.

We have extended our program through 2014 and have increased our annual cost synergy run rate benefit target by the end of 2014 to a range of \$110 million to \$115 million. This compares to our initial annual cost synergy estimate of \$50 million in 2013. We expect to achieve the estimated cost synergy benefits as follows:

- 2012: \$50 million;
- 2013: incremental \$50 million, to achieve annual savings of \$100 million in 2013; and
- 2014: incremental \$10 million to \$15 million, to achieve annual savings of \$110 million to \$115 million in 2014.

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We expect to achieve these synergies through the elimination of duplicative roles, the consolidation of our business units into three primary business units in 2012, supply chain network optimization, which includes the closure or consolidation of several small facilities to streamline our operations, and the benefits of scale in procurement, logistics and warehousing, as well as in information systems and other shared services. We anticipate these cost savings to be realized equally within cost of sales and in marketing, administrative and development expenses.

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We currently anticipate the total associated costs and restructuring charges related to this program to be \$165 million to \$185 million. We expect to incur the majority of these costs in 2012.

In the fourth quarter of 2011, we incurred a pre-tax restructuring charge of \$53 million, or \$0.18 on an earnings per share basis. This charge was primarily for termination and benefits costs, of which \$29 million was paid in the quarter. This restructuring charge includes \$38 million related to stock appreciation rights, ( SARs ) that were granted as part of the consideration for the acquisition of Diversey. See Note 3, Acquisition of Diversey Holdings, Inc., for further discussion.

Additionally, we anticipate capital expenditures of \$40 million to \$50 million through 2014 related to the program and expect to spend \$20 million in 2012. The actual timing of future costs is subject to change due to a variety of factors that may cause a portion of the spending and benefits to occur later than we now expect. Additionally, changes in foreign currency exchange translation may impact future costs and benefits.

See Note 9, Restructuring Activities, for further discussion of this program.

**Revenue Synergies**

We continue to anticipate \$70 million of revenue synergies by the end of 2013, largely from expanding our access and presence within our food and beverage processing customers' businesses and broadening our reach in developing regions. In the fourth quarter of 2011, we began to secure new accounts and are currently in the process of closing additional opportunities with customers.

**European Principal Company**

In May 2011, before the acquisition of Diversey, Diversey approved, subject to successful works council consultations, plans to reorganize its European operations to function under a centralized management and supply chain model. After completing the reorganization in 2012, the European Principal Company ("EPC"), based in the Netherlands, is expected to centrally manage Diversey's European operations. The European subsidiaries will execute sales and distribution locally, and local production companies will act as toll manufacturers on behalf of the EPC.

As part of the planning for this reorganization, in the fourth quarter of 2011, we recognized associated costs of \$4 million, which are included in marketing, administrative and development expenses in the consolidated statements of operations and restructuring charges related to termination benefits of \$1 million.

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

**Global Manufacturing Strategy**

We announced our global manufacturing strategy program in 2006 and completed the program in 2010. The goals of this multi-year program were to realign our manufacturing footprint to expand capacity in growing markets, to further improve our operating efficiencies, and to implement new technologies more effectively. Additionally, we optimized certain manufacturing platforms in North America and Europe into centers of excellence. By taking advantage of new technologies and streamlining production on a global scale, we have continued to enhance our profitable growth and our global leadership position and have produced meaningful benefits.

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

	Cumulative		
	Year Ended December 31,		Through
	2010	2009	December 31, 2010
Capital expenditures	\$ 3.3	\$ 20.0	\$ 156.0

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Associated costs	3.8	9.8	36.2
Restructuring and other charges	4.4	6.5	42.7

We estimate that we realized approximately \$25 million in benefits in 2008, which increased to \$45 million in 2009, and increased further to \$55 million in 2010. These benefits are primarily realized in cost of sales.

**Table of Contents****European Facility Closure**

In December 2010, we informed affected employees that we would be closing a small shrink packaging factory in Europe. We took this action based on our review of operating costs and technology levels in an effort to simplify our plant network and improve our operating efficiency. We recorded nominal associated costs and restructuring and other charges in 2011 and \$7 million in 2010. We do not expect to record any material remaining costs associated with this closure.

The associated costs and restructuring and other charges related to the actions described above are considered special items and are excluded from our non-U.S. GAAP EPS calculations. See Diluted Net Earnings Per Common Share above for further details.

See Note 9, Restructuring Activities, for additional information on our recent restructuring activities.

**Operating Profit**

Management evaluates the performance of each reportable segment based on its operating profit. Operating profit by our segment reporting structure for the three years ended December 31, 2011 was as follows:

	2011	2010	2009	2011 vs. 2010 %	2010 vs. 2009 %
<b>Food Packaging</b>	\$ 276.5	\$ 262.7	\$ 251.7	5%	4%
<i>As a % of Food Packaging net sales</i>	13.5%	13.7%	13.7%		
<b>Food Solutions</b>	101.5	99.2	85.7	2	16
<i>As a % of Food Solutions net sales</i>	10.0%	10.6%	9.6%		
<b>Protective Packaging</b>	183.8	169.5	150.0	8	13
<i>As a % of Protective Packaging net sales</i>	13.0%	13.0%	12.6%		
<b>Diversey</b>	(2.9)			#	
<i>As a % of Diversey net sales</i>	(0.4)%	#	#		
<b>Other</b>	6.1	11.2	11.9	(46)	(6)
<i>As a % of Other net sales</i>	1.7%	3.4%	3.7%		
<b>Total segments and other</b>	565.0	542.6	499.3	4	9
<i>As a % of net sales</i>	10.0%	12.1%	11.8%		
Costs related to the acquisition of Diversey	64.8			#	
Restructuring and other charges(1)	52.8	7.6	7.0	#	9
<b>Total operating profit</b>	\$ 447.4	\$ 535.0	\$ 492.3	(16)%	9%
<i>As a % of net sales</i>	7.9%	11.9%	11.6%		

# Denotes a variance greater than or equal to 100%, or not meaningful.

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

	2011	2010	2009
Food Packaging	\$	\$ 3.7	\$ 6.0
Food Solutions			1.0

Protective Packaging	(0.4)	3.8	(0.1)
Diversey	53.2		
Other		0.1	0.1
Total	\$ 52.8	\$ 7.6	\$ 7.0

See Restructuring Activities above for further discussion of restructuring activities.

***Food Packaging Segment Operating Profit***

*2011 compared with 2010*

The increase in operating profit in 2011 compared with 2010 was primarily due to the net favorable impacts of the changes in net sales mentioned above, which was partially offset by higher raw materials costs, which we estimate to be \$60 million higher in 2011 compared with 2010.



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### *2010 compared with 2009*

The increase in operating profit in 2010 compared with 2009 was primarily due to the favorable impact of the increase in unit volumes mentioned above. Also contributing to this segment's increase in operating profit were lower marketing, administrative and development expenses as a percentage of net sales, which include the impact of lower variable incentive compensation expenses mentioned above. These factors were partially offset by higher raw materials costs of approximately \$51 million.

Expenses in this segment related to the implementation of GMS were \$3 million in 2010 compared with \$8 million in 2009.

### ***Food Solutions Segment Operating Profit***

#### *2011 compared with 2010*

The increase in operating profit in 2011 compared with 2010 was primarily due to the net favorable impacts of the changes in net sales mentioned above. These factors were partially offset by higher raw materials costs, which we estimate to be \$25 million higher in 2011 compared with 2010.

#### *2010 compared with 2009*

The increase in operating profit in 2010 compared with 2009 was primarily due to the favorable impacts of the increase in unit volumes and product price/mix, both mentioned above. Also contributing to this segment's increase in operating profit were lower marketing, administrative and development expenses as a percentage of net sales, which include the impact of lower variable incentive compensation expenses mentioned above. These factors were partially offset by higher raw materials costs of approximately \$30 million.

### ***Protective Packaging Segment Operating Profit***

#### *2011 compared with 2010*

The increase in operating profit in 2011 compared with the same periods in 2010 was primarily due to the net favorable impacts of the changes in net sales mentioned above. These factors were partially offset by higher raw materials costs, which we estimate to be \$32 million higher in 2011 compared with 2010.

#### *2010 compared with 2009*

The increase in operating profit in 2010 compared with 2009 was primarily due to the favorable impact of the increase in unit volumes mentioned above. Also contributing to this segment's increase in operating profit were lower marketing, administrative and development expenses as a percentage of net sales, which include the impact of lower variable incentive compensation expenses mentioned above. These factors were partially offset by higher raw materials costs of approximately \$35 million. Expenses included in this segment's operating profit related to the closure of a small factory in Europe were \$3 million in 2010.

### ***Diversey Segment Operating Loss***

Our Diversey segment reported a \$3 million operating loss in 2011. This loss reflects the results of Diversey from October 3, 2011 through December 31, 2011.

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In addition to the incremental results of Diversey mentioned above, the segment's operating loss in 2011 reflected the following items:

\$31 million of amortization of acquired intangibles;

\$12 million of additional cost of sales related to the step-up in inventories in connection with the acquisition accounting; and

\$12 million of legacy Diversey non-recurring charges related to prior restructuring programs, including \$4 million of associated costs related to the EPC and \$4 million of associated costs related to a prior legacy Diversey program to realign certain accounting functions as well as cease manufacturing at its primary U.S. manufacturing facility.

**Other Operating Profit***2011 compared with 2010*

The decline in operating profit in 2011 compared with 2010 was primarily due to higher raw materials costs, which we estimate to be \$8 million higher compared with 2010. Also contributing to the decline in operating profit were incremental expenses related to our new ventures. These factors were partially offset by the net favorable impacts of the increases in unit volumes mentioned above.

*2010 compared with 2009*

The decline in operating profit in 2010 compared with 2009 was primarily due to higher average petrochemical-based raw material expenditures of approximately \$14 million. Also contributing to the decline in operating profit were incremental expenses related to our new ventures. These factors were partially offset by the favorable impact of the increase in unit volumes mentioned above.

**Interest Expense**

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

Interest expense for the three years ended December 31, 2011 was as follows:

	2011	2010	2009	2011 vs. 2010 Change	2010 vs. 2009 Change
Interest expense on the amount payable for the Settlement agreement	\$ 43.3	\$ 41.1	\$ 39.0	\$ 2.2	\$ 2.1
Interest expense on our various debt instruments:					
3% Convertible Senior Notes redeemed July 2009			8.0		(8.0)
6.95% Senior Notes matured May 2009			3.6		(3.6)
5.625% Senior Notes due July 2013	20.7	21.9	21.9	(1.2)	
12% Senior Notes due February 2014(1)	14.7	30.0	30.9	(15.3)	(0.9)
Term Loan A due October 2016(2)	10.9			10.9	
7.875% Senior Notes due June 2017	33.1	33.0	17.6	0.1	15.4
Term Loan B due October 2018(2)	17.5			17.5	
8.125% Senior Notes due September 2019(2)	15.1			15.1	
8.375% Senior Notes due September 2021(2)	15.4			15.4	
6.875% Senior Notes due July 2033	30.9	30.9	30.9		
Credit Facility(2)	1.3			1.3	
Other interest expense	18.4	8.4	9.7	10.0	(1.3)

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Less: capitalized interest	(4.2)	(3.7)	(6.7)	(0.5)	3.0
Total	\$ 217.1	\$ 161.6	\$ 154.9	\$ 55.5	\$ 6.7

- (1) We redeemed \$150 million of these notes in December 2010. See Loss on Debt Redemption below.
- (2) In connection with the acquisition of Diversey on October 3, 2011, we entered into the Credit Facility consisting of: (a) a \$1.1 billion multicurrency Term Loan A Facility, (b) a \$1.2 billion multicurrency Term Loan B Facility and (c) a \$700 million Revolving Credit Facility. We also issued \$750 million of 8.125% Notes and \$750 million of 8.375% Notes. See Note 11, Debt and Credit Facilities, for further details.

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### **Net Gains on Sale of Available-for-Sale Securities**

In 2010, we sold our five auction rate security investments, representing our total holdings of these securities. These sales resulted in a pre-tax gain of \$7 million (\$4 million, net of taxes). Before we sold these investments, we recognized \$1 million of pre-tax other-than-temporary impairment in 2010 due to the decline in estimated fair value of some of these investments.

Our valuation of our auction rate security investments resulted in the recognition of other-than-temporary impairment of \$4 million (\$2 million, net of taxes) in 2009.

### **Foreign Currency Exchange (Losses) Gains Related to Venezuelan Subsidiaries**

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

### **Loss on Debt Redemption**

In December 2010, we completed an early redemption of \$150 million of the outstanding \$300 million principal amount of our 12% Senior Notes due February 14, 2014. We redeemed the notes at 127% of the principal amount plus accrued interest. The aggregate redemption price was \$196 million, including \$5 million of accrued interest. We funded the redemption with available cash. We recorded a pre-tax loss of \$41 million resulting from the 27% premium. We also recognized a gain of \$2 million from the termination of a related interest rate swap. As a result, the total net pre-tax loss was \$39 million, which equated to a \$0.14 per common share decrease to our reported diluted net earnings per common share. The annual pre-tax interest expense savings from this redemption is \$18 million, which equates to \$0.06 per diluted common share, beginning in December 2010 through February 2014.

In 2009, we redeemed the entire \$431.3 million of our 3% Convertible Senior Notes due 2033 and recorded a \$3 million pre-tax loss. This loss represented a 0.429% call premium of \$2 million and a write-down of the remaining debt issuance costs of \$1 million related to the issuance of these senior notes in July 2003.

The losses associated with our debt redemptions have been excluded from our non-U.S. GAAP adjusted diluted net earnings per common share. See *Diluted Net Earnings Per Common Share* below for further details.

### **Other Expense, Net**

See Note 20, *Other Expense, net*, for the components and discussion of other expense, net.

### **Income Taxes**

Our effective income tax rate was 31.0% for 2011, 25.5% for 2010 and 25.9% for 2009. As described below, the Diversey operations and the costs of the Diversey acquisition increased our 2011 effective tax rate. The costs of the acquisition are not expected to recur to the same extent in future years. As such, we expect an effective income tax rate of approximately 30% for 2012.

For 2011 and 2010, our 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, as well as income tax benefits from tax credits and the domestic manufacturing deduction, partially offset by state income taxes and, in 2011, nondeductible expenses incurred in connection with the Diversey acquisition.

See Note 16, *Income Taxes*, for a reconciliation of the U.S. federal statutory rate to our effective tax rate, which also shows the major components of the year over year changes.

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### **Liquidity and Capital Resources**

The discussion that follows contains descriptions of:

our material commitments and contingencies;

our principal sources of liquidity;

our outstanding indebtedness;

our historical cash flows and changes in working capital;

changes in our stockholders' equity; and

our derivative financial instruments.

### **Material Commitments and Contingencies**

#### ***Settlement Agreement and Related Costs***

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

We currently expect to fund a substantial portion of this payment when it becomes due by using accumulated cash and cash equivalents with the remainder from our committed credit facilities. Our new Credit Facility is available for general corporate purposes, including the payment of the amounts required upon effectiveness of the Settlement agreement. See "Principal Sources of Liquidity" below. The cash payment of \$513 million accrues interest at a 5.5% annual rate, which is compounded annually, from December 21, 2002 to the date of payment. This accrued interest was \$319 million at December 31, 2011 and is recorded in Settlement agreement and related accrued interest on our consolidated balance sheet. The total liability on our consolidated balance sheet was \$831 million at December 31, 2011. In addition, the Settlement agreement provides for the issuance of 18 million shares of our common stock. Since the impact of issuing these shares is dilutive to our EPS, under U.S. GAAP, they are included in our diluted weighted average number of common shares outstanding in our calculation of EPS for all periods presented. See Note 19, "Net Earnings Per Common Share," for details of our calculation of EPS.

Tax benefits resulting from the payment made under the Settlement agreement are currently recorded as a \$380 million deferred tax asset on our consolidated balance sheets. This deferred tax asset reflects the cash portion of the Settlement agreement and related accrued interest and the value of the 18 million shares of our common stock at the post-split price of \$17.86 per share, which was the price when the Settlement agreement was reached in 2002. The amount and timing of our future cash tax benefits could vary, depending on the amount of cash paid by us and various facts and circumstances at the time of payment under the Settlement agreement, including the price of our common stock, our tax position and the applicable tax codes.

While the Bankruptcy Court and the District Court have confirmed the PI Settlement Plan, parties have appealed or otherwise challenged the PI Settlement Plan and the opinions and orders entered by the Bankruptcy Court and the District Court confirming the PI Settlement Plan. These matters may be subject to further appeal, challenge, and proceedings before the District Court, the Third Circuit Court of Appeals, or other courts. Parties may designate various issues to be considered in challenging the PI Settlement Plan and the opinions and orders entered by the Bankruptcy Court and the District Court, including (without limitation) issues relating to releases and injunctions contained in the PI Settlement Plan. We will continue to review the Grace bankruptcy proceedings (including appeals and other proceedings relating to the PI Settlement Plan or to the opinions and orders entered by the Bankruptcy Court and the District Court confirming the PI Settlement Plan), as well as any

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amendments or other changes to the PI Settlement Plan or to the opinions and orders entered by the Bankruptcy Court and the District Court confirming the PI Settlement Plan, to verify compliance with the Settlement agreement. We do not know whether or when a final plan of reorganization (whether the PI Settlement Plan or another plan of reorganization) will become effective or whether the final plan will be consistent with the terms of the Settlement agreement.

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

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The information set forth in Part II, Item 8 of this Annual Report on Form 10-K in Note 17, Commitments and Contingencies, under the caption Settlement Agreement and Related Costs is incorporated herein by reference.

***Cryovac Transaction Commitments and Contingencies***

The information set forth in Part II, Item 8 of this Annual Report on Form 10-K in Note 17, Commitments and Contingencies, under the caption Cryovac Transaction Commitments and Contingencies is incorporated herein by reference.

**Contractual Obligations**

The following table summarizes our principal contractual obligations and sets forth the amounts of required or contingently required cash outlays in 2012 and future years (amounts in millions):

Contractual Obligations	Total	Payments Due by Years			
		2012	2013-2014	2015-2016	Thereafter
Short-term borrowings	\$ 34.5	\$ 34.5	\$	\$	\$
Current portion of long-term debt exclusive of debt discounts and lender fees	1.9	1.9			
Long-term debt, exclusive of debt discounts and lender fees	5,082.1		835.7	777.0	3,469.4
Total debt(1)	5,118.5	36.4	835.7	777.0	3,469.4
Interest payments due on long-term debt(2)	2,486.4	314.5	574.8	511.9	1,085.2
Operating leases	258.9	81.8	94.7	42.1	40.3
Settlement agreement and related accrued interest(3)	831.2	831.2			
First quarter 2012 quarterly cash dividend declared	25.0	25.0			
Other principal contractual obligations	253.3	138.8	99.0	15.5	
Total contractual cash obligations	\$ 8,973.3	\$ 1,427.7	\$ 1,604.2	\$ 1,346.5	\$ 4,594.9

(1) These amounts include principal maturities (at face value) only. These amounts also include our contractual obligations under capital leases of \$1.7 million in 2012, \$1.4 million in 2013-2014 and \$0.4 million in 2015-2016.

(2) Includes interest payments required under our senior notes issuances and Credit Facility only. The interest payments included above for our Term Loan A and B were calculated using the following assumptions:

interest rates based on stated rates based on LIBOR as of December 31, 2011;  
all non-U.S. dollar balances are converted using exchange rates as of December 31, 2011; and  
assumes no additional prepayments are made.

(3) This liability is reflected as a current liability due to the uncertainty of the timing of payment. Interest accrues on this amount at a rate of 5.5% per annum, compounded annually, until it becomes due and payable.

*Current Portion of Long-Term Debt and Long-Term Debt* Represents the principal amount of the debt required to be repaid in each period.

*Operating Leases* The contractual operating lease obligations listed in the table above represent estimated future minimum annual rental commitments primarily under non-cancelable real and personal property leases as of December 31, 2011.

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*Cash Portion of the Settlement Agreement* The Settlement agreement is described more fully in Settlement Agreement and Related Costs, of Note 17, Commitments and Contingencies.

*Other Principal Contractual Obligations* Other principal contractual obligations include agreements to purchase an estimated amount of goods, including raw materials, or services, including energy, in the normal course of business. These obligations are enforceable and legally binding and specify all significant terms, including fixed or minimum quantities to be purchased, minimum or variable price provisions and the approximate timing of the purchase.

### *Liability for Unrecognized Tax Benefits*

At December 31, 2011, we had liabilities for unrecognized tax benefits and related interest and penalties of \$279 million, which is included in other liabilities on the consolidated balance sheet. At December 31, 2011, we cannot reasonably estimate the future period or periods of cash settlement of these liabilities. See Note 16, Income Taxes, for further discussion.



**Table of Contents***Off-Balance Sheet Arrangements*

We have reviewed our off-balance sheet arrangements and have determined that none of those arrangements has a material current effect or is reasonably likely to have a material future effect on our consolidated financial statements, liquidity, capital expenditures or capital resources.

*Income Tax Payments*

We currently expect to pay between \$115 million and \$135 million in income taxes in 2012.

*Contributions to Defined Benefit Pension Plans*

We maintain defined benefit pension plans for some of our U.S. and our non-U.S. employees. We currently expect employer contributions to be approximately \$39 million in 2012.

*Environmental Matters*

We are subject to loss contingencies resulting from environmental laws and regulations, and we accrue for anticipated costs associated with investigatory and remediation efforts when an assessment has indicated that a loss is probable and can be reasonably estimated. These accruals do not take into account any discounting for the time value of money and are not reduced by potential insurance recoveries, if any. We do not believe that it is reasonably possible that the liability in excess of the amounts that we have accrued for environmental matters will be material to our consolidated statements of operations, balance sheets or cash flows. We reassess environmental liabilities whenever circumstances become better defined or we can better estimate remediation efforts and their costs. We evaluate these liabilities periodically based on available information, including the progress of remedial investigations at each site, the current status of discussions with regulatory authorities regarding the methods and extent of remediation and the apportionment of costs among potentially responsible parties. As some of these issues are decided (the outcomes of which are subject to uncertainties) or new sites are assessed and costs can be reasonably estimated, we adjust the recorded accruals, as necessary. We believe that these exposures are not material to our consolidated financial condition and results of operations. We believe that we have adequately reserved for all probable and estimable environmental exposures.

**Principal Sources of Liquidity**

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

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

In connection with the funding of the cash consideration for the acquisition and the repayment of existing indebtedness of Diversey, and to provide ongoing liquidity, on October 3, 2011, we entered into the Credit Facility, which consists of: (a) a \$1.1 billion multicurrency Term Loan A Facility, (b) a \$1.2 billion multicurrency Term Loan B Facility and (c) a \$700 million Revolving Credit Facility. Additionally, on October 3, 2011, we completed an offering of \$750 million aggregate principal amount of 8.125% senior notes due 2019 and \$750 million aggregate principal amount of 8.375% senior notes due 2021. See Note 11, Debt and Credit Facilities, for further details.

*Cash and Cash Equivalents*

The following table summarizes our accumulated cash and cash equivalents:

	December 31, 2011	December 31, 2010
Cash and cash equivalents	\$ 722.8	\$ 675.6

See Analysis of Historical Cash Flows below.



**Table of Contents*****Lines of Credit***

Effective October 3, 2011, we terminated our former global credit facility and European credit facility and replaced them with the Revolving Credit Facility. The Revolving Credit Facility may be used for working capital needs and general corporate purposes, including the payment of the amounts required upon effectiveness of the Settlement agreement. We did not use our former global credit facility and European credit facility in the years ended December 31, 2011 and 2010. We used our Credit Facility for a short time period in connection with the acquisition of Diversify. Interest paid for the year ended December 31, 2011 under the Revolving Credit Facility was immaterial. There were no amounts outstanding under the Revolving Credit Facility at December 31, 2011. See Note 11, Debt and Credit Facilities, for further details.

***Accounts Receivable Securitization Program***

At December 31, 2011, we had \$92 million available to us under the program, and we did not utilize this program in 2011. See Note 8, Accounts Receivable Securitization Program, for information concerning this program.

***Covenants***

At December 31, 2011, we were in compliance with our financial covenants and limitations, as discussed in Covenants of Note 11, Debt and Credit Facilities.

***Debt Ratings***

Our cost of capital and ability to obtain external financing may be affected by our debt ratings, which the credit rating agencies review periodically. Below is a table that details our credit ratings by the various types of debt by rating agency.

	Moody's	
	Investor	Standard
	Services	& Poor's
Corporate Rating	Ba3	BB
Senior Unsecured Rating	B1	BB
Senior Secured Credit Facility Rating	Ba1	BB+
Outlook	Stable	Stable

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

***Outstanding Indebtedness***

At December 31, 2011 and 2010, our total debt outstanding consisted of the amounts set forth in the following table. See Note 11, Debt and Credit Facilities, for further information on our debt.

	December 31,	
	2011	2010
Short-term borrowings	\$ 34.5	\$ 23.5
Current portion of long-term debt	1.9	6.5
Total current debt	36.4	30.0
Total long-term debt, less current portion	5,010.9	1,399.2

Total debt	\$ 5,047.3	\$ 1,429.2
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In the fourth quarter of 2011, we paid our required 2011 and prepaid our required 2012 Term Loan A Facility and Term Loan B Facility amortization payments. These payments totaled approximately \$97 million.

**Table of Contents***Analysis of Historical Cash Flow*

The following table shows the changes in our consolidated cash flows in the three years ended December 31, 2011.

	2011	2010	2009
Net cash provided by operating activities	\$ 392.1	\$ 483.1	\$ 552.0
Net cash used in investing activities	(2,370.4)	(96.9)	(70.3)
Net cash provided by (used in) financing activities	2,023.6	(373.0)	90.3
<b>Net Cash Provided by Operating Activities</b>			

**2011**

Net cash provided by operating activities in 2011 was primarily attributable to net earnings adjusted to reconcile to net cash provided by operating activities of \$387 million, which primarily includes adjustments for depreciation and amortization, costs related to the acquisition of Diversey and share-based incentive compensation expenses. Net cash provided by changes in operating assets and liabilities resulted in a net source of cash of \$6 million in 2011.

**2010**

Net cash provided by operating activities in 2010 was primarily attributable to net earnings adjusted to reconcile to net cash provided by operating activities of \$480 million, which primarily includes adjustments for depreciation and amortization and share-based incentive compensation expenses. The changes in operating assets and liabilities resulted in a net cash source of \$3 million.

**Net Cash Used in Investing Activities****2011**

Net cash used in investing activities in 2011 was primarily due to the acquisition of Diversey. See Note 3, Acquisition of Diversey Holdings, Inc. for further information.

**2010**

In 2010, we used net cash of \$97 million for investing activities, which was primarily due to capital expenditures of \$88 million and the use of \$24 million of cash for the completion of three business acquisitions and one equity investment in 2010. These investments were not material, individually or in the aggregate, to our consolidated financial condition and results of operations. Partially offsetting these uses of cash in 2010 were cash proceeds of \$13 million received from the sale of all of our auction rate security investments in 2010.

We expect to continue to invest capital as we deem appropriate to expand our business, to maintain or replace depreciating property, plant and equipment, to acquire new manufacturing technology and to improve productivity and net sales growth. As discussed in 2012 Outlook above, we expect total capital expenditures in 2012 to be in the range \$180 million to \$190 million, which includes capital expenditures of \$20 million associated with the 2011-2014 Integration and Optimization Program. This projection is based upon our updated capital expenditure budget for 2012, the status of approved but not yet completed capital projects, anticipated future projects and historic spending trends.

**Net Cash Provided By (Used in) Financing Activities****2011**

Net cash provided by financing activities was primarily due to the following:

net proceeds of \$1.1 billion on Term Loan B Facility due October 2018;

net proceeds of \$1.1 billion on Term Loan A Facility due October 2016;

issuance of \$750 million of 8.125% Senior Notes due September 2019;

issuance of \$750 million of 8.375% Senior Notes due September 2021; and

changes in restricted cash of \$263 million, which was used for the redemption of the DHI and DI Notes (as described in Note 3, Acquisition of Diversey Holdings, Inc );  
partially offset by:

the repayment of existing indebtedness of Diversey of \$1.6 billion, in connection with the acquisition of Diversey;

the payment of our required 2011 and prepayment of our required 2012 Term Loan A Facility and Term Loan B Facility amortization payments totaling \$97 million;

the payment of quarterly dividends of \$87 million;

net payments of short-term borrowings of \$44 million;

payments of debt issuance costs of \$51 million in connection with the financing of the acquisition of Diversey; and

the acquisition of 0.5 million shares of common stock with a fair market value of \$13 million that were withheld from employees to satisfy their minimum tax withholding obligations under our 2005 contingent stock plan.

**2010**

In 2010, we used \$373 million of cash and cash equivalents for financing activities primarily due to the following activities:

the use of \$196 million of cash for the redemption of \$150 million of the outstanding \$300 million principal amount of our 12% Senior Notes due February 14, 2014;

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the repayment of amounts outstanding under our European credit facility of \$64 million in the first quarter of 2010;

the payment of quarterly dividends of \$80 million; and

the repurchase of 0.4 million shares of our common stock for \$10 million.

*Repurchases of Capital Stock*

We did not make any repurchases of our common stock in 2011 under our share repurchase program.

During 2010, we repurchased 0.4 million shares of our common stock, par value \$0.10 per share, in open market purchases at a cost of \$10 million. The average price per share of these common stock repurchases was \$22.91.

We made the share repurchases in 2010 under the share repurchase program adopted by our Board of Directors in August 2007 under which the Board of Directors authorized us to repurchase in the aggregate up to 20 million shares of our issued and outstanding common stock. The program has no set expiration date, and we may from time to time continue to repurchase our common stock. See Item 5, Issuer Purchases of Equity Securities, for further information on the share repurchase program.

**Changes in Working Capital**

	December 31, 2011	December 31, 2010	Increase (Decrease)
Working capital (current assets less current liabilities)	\$879.1	\$592.3	\$286.8
Current ratio (current assets divided by current liabilities)	1.4x	1.4x	
Quick ratio (current assets, less inventories divided by current liabilities)	1.0x	1.1x	

The \$287 million increase, or 48%, in working capital in the year ended December 31, 2011 was primarily due to the following factors:

net cash provided by operating activities of \$392 million;  
partially offset by:

the payment of quarterly dividends of \$87 million.

*Changes in Stockholders Equity*

The \$551 million, or 23%, increase in stockholders equity in 2011 compared with 2010 was primarily due to the following:

31.7 million shares of common stock with a fair market value of \$513 million that were part of the consideration transferred related to the acquisition of Diversey.

net earnings of \$149 million; and

the recognition of share-based incentive compensation expense of \$28 million.

These factors were partially offset by:

dividends paid and accrued on our common stock of \$89 million;

foreign currency translation adjustments of \$38 million; and

the acquisition of 0.5 million shares of common stock with a fair market value of \$13 million that were withheld from employees to satisfy their minimum tax withholding obligations under our 2005 contingent stock plan. These shares are held in common stock in treasury.

***Derivative Financial Instruments***

*Interest Rate Swaps*

The information set forth in Part II, Item 8 of this Annual Report on Form 10-K in Note 12, *Derivatives and Hedging Activities*, under the caption *Interest Rate Swaps* is incorporated herein by reference.

*Foreign Currency Forward Contracts*

At December 31, 2011, we were party to foreign currency forward contracts, which did not have a significant impact on our liquidity.

The information set forth in Part II, Item 8 of this Annual Report on Form 10-K in Note 12, *Derivatives and Hedging Activities*, under the caption *Foreign Currency Forward Contracts* is incorporated herein by reference.

For further discussion about these contracts and other financial instruments, see Item 7A, *Quantitative and Qualitative Disclosures About Market Risk*.

**Recently Issued Statements of Financial Accounting Standards, Accounting Guidance and Disclosure Requirements**

We are subject to numerous recently issued statements of financial accounting standards, accounting guidance and disclosure requirements. Note 2, *Summary of Significant Accounting Policies and Recently Issued Accounting Standards*, which is contained in Part II, Item 8 of this Annual Report on Form 10-K, describes these new accounting standards and is incorporated herein by reference.



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### ***Critical Accounting Policies and Estimates***

Our discussion and analysis of our consolidated financial condition and results of operations are based upon our consolidated financial statements, which are prepared in accordance with U.S. GAAP. The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities.

Our estimates and assumptions are evaluated on an ongoing basis and are based on all available evidence, including historical experience and other factors believed to be reasonable under the circumstances. To derive these estimates and assumptions, management draws from those available sources that can best contribute to its efforts. These sources include our officers and other employees, outside consultants and legal counsel, experts and actuaries. In addition, we use internally generated reports and statistics, such as aging of accounts receivable, as well as outside sources such as government statistics, industry reports and third-party research studies. The results of these estimates and assumptions may form the basis of the carrying value of assets and liabilities and may not be readily apparent from other sources. Actual results may differ from estimates under conditions and circumstances different from those assumed, and any such differences may be material to our consolidated financial statements.

We believe the following accounting policies are critical to understanding our consolidated results of operations and affect the more significant judgments and estimates used in the preparation of our consolidated financial statements. The critical accounting policies discussed below should be read together with our significant accounting policies set forth in Note 2, Summary of Significant Accounting Policies and Recently Issued Accounting Standards.

#### ***Accounts Receivable and Allowance for Doubtful Accounts***

In the normal course of business, we extend credit to our customers if they satisfy pre-defined credit criteria. We maintain an accounts receivable allowance for estimated losses resulting from the failure of our customers to make required payments. An additional allowance may be required if the financial condition of our customers deteriorates. The allowance for doubtful accounts is maintained at a level that management assesses to be appropriate to absorb estimated losses in the accounts receivable portfolio. The allowance for doubtful accounts is reviewed quarterly, and changes to the allowance are made through the provision for bad debts, which is included in marketing, administrative and development expenses on our consolidated statements of operations. These changes may reflect changes in economic, business and market conditions. The allowance is increased by the provision for bad debts and decreased by the amount of charge-offs, net of recoveries.

The provision for bad debts charged against operating results is based on several factors including, but not limited to, a regular assessment of the collectibility of specific customer balances, the length of time a receivable is past due and our historical experience with our customers. In circumstances where a specific customer's inability to meet its financial obligations is known, we record a specific provision for bad debt against amounts due thereby reducing the receivable to the amount we reasonably assess will be collected. If circumstances change, such as higher than expected defaults or an unexpected material adverse change in a major customer's ability to pay, our estimates of recoverability could be reduced by a material amount.

#### ***Fair Value Measurements of Financial Instruments***

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

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

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



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*Level 3 Inputs:* Unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at measurement date. Our fair value measurements for our financial instruments are subjective and involve uncertainties and matters of significant judgment. Changes in assumptions could significantly affect our estimates. See Note 13, Fair Value Measurements and Other Financial Instruments, for further details on our fair value measurements.

### *Commitments and Contingencies    Litigation*

On an ongoing basis, we assess the potential liabilities and costs related to any lawsuits or claims brought against us. We accrue a liability when we believe a loss is probable and when the amount of loss can be reasonably estimated. Litigation proceedings are evaluated on a case-by-case basis considering the available information, including that received from internal and outside legal counsel, to assess potential outcomes. While it is typically very difficult to determine the timing and ultimate outcome of these actions, we use our best judgment to determine if it is probable that we will incur an expense related to the settlement or final adjudication of these matters and whether a reasonable estimation of the probable loss, if any, can be made. In assessing probable losses, we consider insurance recoveries, if any. We expense legal costs, including those legal costs expected to be incurred in connection with a loss contingency, as incurred. We have in the past adjusted existing accruals as proceedings have continued, been settled or otherwise provided further information on which we could review the likelihood of outflows of resources and their measurability, and we expect to do so in future periods. Due to the inherent uncertainties related to the eventual outcome of litigation and potential insurance recovery, it is possible that disputed matters may be resolved for amounts materially different from any provisions or disclosures that we have previously made.

### *Impairment of Long-Lived Assets*

For definite-lived intangible assets, such as customer relationships, contracts and intellectual property, and for other long-lived assets, such as property, plant and equipment, whenever impairment indicators are present, we perform a review for impairment. We calculate the undiscounted value of the projected cash flows associated with the asset, or asset group, and compare this estimated amount to the carrying amount. If the carrying amount is found to be greater, we record an impairment loss for the excess of book value over the fair value. In addition, in all cases of an impairment review, we re-evaluate the remaining useful lives of the assets and modify them as appropriate.

For indefinite lived intangible assets, such as in-process research and development and trademarks and trade names, each year and whenever impairment indicators are present, we determine the fair value of the asset and record an impairment loss for the excess of book value of fair value, if any. In addition, in all cases of an impairment review other than for in-process research and development assets, we re-evaluate whether continuing to characterize the asset as indefinite lived is appropriate.

### *Goodwill*

Goodwill is reviewed for possible impairment at least annually on a reporting unit level during the fourth quarter of each year. A review of goodwill may be initiated before or after conducting the annual analysis if events or changes in circumstances indicate the carrying value of goodwill may no longer be recoverable.

A reporting unit is the operating segment unless, at businesses one level below that operating segment the component level discrete financial information is prepared and regularly reviewed by management, and the component has economic characteristics that are different from the economic characteristics of the other components of the operating segment, in which case the component is the reporting unit.

We use a fair value approach to test goodwill for impairment. We must recognize a non-cash impairment charge for the amount, if any, by which the carrying amount of goodwill exceeds its implied fair value. We derive an estimate of fair values for each of our reporting units using a combination of an income approach and appropriate market approaches, each based on an applicable weighting. We assess 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, we believe 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 our judgment in applying them to this analysis. Nonetheless, we believe that the combination of these methods provides a reasonable approach to estimate the fair value of our reporting units. Assumptions for sales, net earnings and cash flows for each reporting unit were consistent among these methods.



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### Income Approach Used to Determine Fair Values

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. We use a discount rate that reflects a market-derived weighted average cost of capital. We believe 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 our 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 terminal value long-term growth rates, provisions for income taxes, future capital expenditures and changes in future cashless, debt-free working capital.

### Market Approaches Used to Determine Fair Values

Each year we consider various relevant market approaches that could be used to determine fair value including an approach referred to as the merger and acquisition method.

The first market approach estimates the fair value of the reporting unit by applying multiples of operating performance measures to the reporting unit's operating performance. These multiples are derived from comparable publicly-traded companies with similar investment characteristics to the reporting unit, and such comparables are reviewed and updated as needed annually. We believe that this approach is appropriate because it provides a fair value estimate using multiples from entities with operations and economic characteristics comparable to our reporting units and the Company. The second market approach is based on the publicly traded common stock of the Company, and the estimate of fair value of the reporting unit is based on the applicable multiples of the Company. The third market approach is based on recent mergers and acquisitions of comparable publicly-traded and privately-held companies in the packaging industry.

The key estimates and assumptions that are used to determine fair value under these market approaches include trailing and future 12-month operating performance results and the selection of the relevant multiples to be applied. Under the first and second market approaches, a control premium, or an amount that a buyer is usually willing to pay over the current market price of a publicly traded company, is applied to the calculated equity values to adjust the public trading value upward for a 100% ownership interest, where applicable.

See Note 7, *Goodwill and Identifiable Intangible Assets*, for details of our goodwill balance and the goodwill review performed in 2011 and other related information.

### *Pensions*

We maintain a qualified non-contributory profit sharing plan in which some U.S. employees participate and qualified contributory retirement savings plans in which some U.S. employees are eligible to participate. For a number of our U.S. employees and our international employees, we maintain defined benefit pension plans. Under current accounting standards, we are required to make assumptions regarding the valuation of projected benefit obligations and the performance of plan assets for our defined benefit pension plans.

The projected benefit obligation and the net periodic benefit cost are based on third-party actuarial assumptions and estimates that are reviewed and approved by management on a plan-by-plan basis each fiscal year. The principal assumptions concern the discount rate used to measure the projected benefit obligation, the expected future rate of return on plan assets and the expected rate of future compensation increases. We revise these assumptions based on an annual evaluation of long-term trends and market conditions that may have an impact on the cost of providing retirement benefits.

In determining the discount rate, we utilize market conditions and other data sources management considers reasonable based upon the profile of the remaining service life of eligible employees. The expected long-term rate of return on plan assets is determined by taking into consideration the weighted-average expected return on our asset allocation, asset return data, historical return data, and the economic environment. We believe these considerations provide the basis for reasonable assumptions of the expected long-term rate of return on plan assets. The rate of compensation increase is based on our long-term plans for such increases. The measurement date used to determine the benefit obligation and plan assets is December 31.

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As a result of the acquisition of Diversey, we acquired Diversey's global pension and other postretirement benefit plans. The assumed pension and postretirement benefits as of the acquisition date consisted of projected benefit obligations of \$764 million and plan assets of \$630 million. At December 31, 2011, the total projected benefit obligation for our U.S. pension plans was \$212 million, and the total net periodic benefit cost for the year ended December 31, 2011 was \$2 million. At December 31, 2011, the total projected benefit obligation for our international pension plans was \$929 million, and the total net periodic benefit cost for the year ended December 31, 2011 was \$14 million.

In general, material changes to the principal assumptions could have a material impact on the costs and liabilities recognized on our consolidated financial statements. A 25 basis point change in the assumed discount rate and a 100 basis point change in the expected long-term rate of return on plan assets would have resulted in the following increases (decreases) in the projected benefit obligation at December 31, 2011 and the expected net periodic benefit cost for the year ended December 31, 2012 (in millions).

	25 Basis Point Increase	25 Basis Point Decrease
<b>United States</b>		
<i>Discount Rate</i>		
Effect on 2011 projected benefit obligation	\$ (6.0)	\$ 6.6
Effect on 2012 expected net periodic benefit cost		
	100 Basis Point Increase	100 Basis Point Decrease
<i>Return on Assets</i>		
Effect on 2012 expected net periodic benefit cost	\$ (1.7)	\$ 1.7
	25 Basis Point Increase	25 Basis Point Decrease
<b>International</b>		
<i>Discount Rate</i>		
Effect on 2011 projected benefit obligation	\$ (32.7)	\$ 34.2
Effect on 2012 expected net periodic benefit cost	(0.8)	1.0
	100 Basis Point Increase	100 Basis Point Decrease
<i>Return on Assets</i>		
Effect on 2012 expected net periodic benefit cost	\$ (7.4)	\$ 7.4
<i>Income Taxes</i>		

Estimates and judgments are required in the calculation of tax liabilities and in the determination of the recoverability of our deferred tax assets. Our deferred tax assets arise from net deductible temporary differences, tax benefit carry forwards and foreign tax credits. We evaluate whether our taxable earnings during the periods when the temporary differences giving rise to deferred tax assets become deductible or when tax benefit carry forwards may be utilized should be sufficient to realize the related future income tax benefits. For those jurisdictions where the expiration dates of tax benefit carry forwards or the projected taxable earnings indicate that realization is not likely, we provide a valuation allowance.

In assessing the need for a valuation allowance, we estimate future taxable earnings, with consideration for the feasibility of ongoing planning strategies and the realizability of tax benefit carry forwards and past operating results, to determine which deferred tax assets are more likely than not to be realized in the future. Changes to tax laws, statutory tax rates and future taxable earnings can have an impact on valuation allowances related to deferred tax assets. In the event that actual results differ from these estimates in future periods, we may need to adjust the valuation allowance, which could have a material impact on our consolidated financial statements.

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In calculating our worldwide provision for income taxes, we also evaluate our tax positions for years where the statutes of limitations have not expired. Based on this review, we may establish reserves for additional taxes and interest that could be assessed upon examination by relevant tax authorities. We adjust these reserves to take into account changing facts and circumstances, including the results of tax audits and changes in tax law. If the payment of additional taxes and interest ultimately proves unnecessary or less than the amount of the reserve, the reversal of the reserves would result in tax benefits being recognized in the period when we determine the reserves are no longer necessary. If an estimate of tax reserves proves to be less than the ultimate assessment, a further charge to income tax provision would result. These adjustments to reserves and related expenses could materially affect our consolidated financial statements.

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We recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the consolidated financial statements from such positions are measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon settlement with tax authorities. See Note 16, Income Taxes, for further discussion.



**Table of Contents****Summarized Quarterly Financial Information (Unaudited, in millions, except share data)**

	<b>First Quarter</b>	<b>Second Quarter</b>	<b>Third Quarter</b>	<b>Fourth Quarter(1)</b>
<b>2011</b>				
Net sales	\$ 1,128.5	\$ 1,212.6	\$ 1,247.1	\$ 2,052.7
Gross profit	309.0	324.3	335.7	672.2
Net earnings (loss)	59.7	65.0	73.7	(49.3)
Basic net earnings (loss) per common share	\$ 0.37	\$ 0.41	\$ 0.46	\$ (0.26)
Diluted net earnings per common share	\$ 0.34	\$ 0.37	\$ 0.41	\$ (0.26)

	<b>First Quarter</b>	<b>Second Quarter</b>	<b>Third Quarter</b>	<b>Fourth Quarter</b>
<b>2010</b>				
Net sales	\$ 1,061.2	\$ 1,089.7	\$ 1,130.0	\$ 1,209.2
Gross profit	300.0	300.5	320.5	331.8
Net earnings	61.2	67.0	76.5	51.3
Basic net earnings per common share	\$ 0.38	\$ 0.42	\$ 0.48	\$ 0.32
Diluted net earnings per common share	\$ 0.35	\$ 0.38	\$ 0.43	\$ 0.29

- (1) Includes the financial results of Diversey for the period beginning October 3, 2011 through December 31, 2011. The financial results included in this Form 10-K related to the acquisition accounting for the Diversey transaction are subject to change as the acquisition accounting is not yet finalized and dependent upon certain independent valuations and studies that are still in process and under review by management. See Note 3, Acquisition of Diversey Holdings, Inc., for further information about the acquisition and related transactions and the acquisition accounting.

**Item 7A. Quantitative and Qualitative Disclosures About Market Risk**

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

**Interest Rates**

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

At December 31, 2011, we had outstanding interest rate swaps, but no outstanding collars or options.

The information set forth in Item 8 of Part II of this Annual Report on Form 10-K in Note 12, Derivatives and Hedging Activities, under the caption Interest Rate Swaps is incorporated herein by reference.

See Note 13, Fair Value Measurements and Other Financial Instruments, for details of the methodology and inputs used to determine the fair value of our fixed rate debt. The fair value of our fixed rate debt varies with changes in interest rates. Generally, the fair value of fixed rate debt will increase as interest rates fall and decrease as interest rates rise. A hypothetical 10% increase in interest rates would result in a decrease of \$111 million in the fair value of the total debt balance at December 31, 2011. These changes in the fair value of our fixed rate debt do not alter our obligations to repay the outstanding principal amount or any related interest of such debt.

**Foreign Exchange Rates***Operations*

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As a large global organization, we face exposure to changes in foreign currency exchange rates. These exposures may change over time as business practices evolve and could materially impact our consolidated financial condition and results of operations in the future. See Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, above for the impacts foreign currency translation had on our operations.

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### ***Venezuela***

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

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

As a result of the changes in the exchange rates upon settlement of bolivar-denominated transactions and upon the remeasurement of our Venezuelan subsidiaries' financial statements, we recognized nominal net losses for the year ended December 31, 2011 and net gains of \$6 million for the year ended December 31, 2010.

For the year ended December 31, 2011, less than 1% of our consolidated net sales were derived from our businesses in Venezuela and approximately 2% of our consolidated operating profit was derived from our businesses in Venezuela.

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

### ***Foreign Currency Forward Contracts***

We use foreign currency forward contracts to fix the amounts payable or receivable on some transactions denominated in foreign currencies. A hypothetical 10% adverse change in foreign exchange rates at December 31, 2011 would have caused us to pay approximately \$61 million to terminate these contracts. Based on our overall foreign exchange exposure, we estimate this change would not materially affect our financial position and liquidity. The effect on our results of operations would be substantially offset by the impact of the hedged items.

Our foreign currency forward contracts are described in Note 12, Derivatives and Hedging Activities, which is contained in Part II, Item 8, and in Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Derivative Financial Instruments—Foreign Currency Forward Contracts, contained in Part II, Item 7 of this Annual Report on Form 10-K, which information is incorporated herein by reference.

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

### ***Outstanding Debt***

Our outstanding debt is generally denominated in the functional currency of the borrower. We believe that this enables us to better match operating cash flows with debt service requirements and to better match the currency of assets and liabilities. The amount of outstanding debt denominated in a functional currency other than the U.S. dollar was \$674 million at December 31, 2011 and \$26 million at December 31, 2010.

### ***Customer Credit***

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

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Our customers may default on their obligations to us due to bankruptcy, lack of liquidity, operational failure or other reasons. Our provision for bad debt expense was \$9 million in 2011, \$7 million in 2010 and \$6 million in 2009. The allowance for doubtful accounts was \$16 million at December 31, 2011 and \$17 million at December 31, 2010.

## **Pensions**

Recent market conditions have resulted in an unusually high degree of volatility and increased risks and short-term liquidity concerns associated with some of the plan assets held by our defined benefit pension plans, which have impacted the performance of some of the plan assets. Based upon the annual valuation of our defined benefit pension plans at December 31, 2011, we expect our net periodic benefit costs to be approximately \$21 million in 2012. See Note 14, Profit Sharing, Retirement Savings Plans and Defined Benefit Pension Plans, for further details on our defined benefit pension plans.

## **Commodities**

We use various commodity raw materials such as plastic resins and other chemicals and energy products such as electric power and natural gas in conjunction with our manufacturing processes. Generally, we acquire these components at market prices in the region in which they will be used and do not use financial instruments to hedge commodity prices. Moreover, we seek to maintain appropriate levels of commodity raw material inventories thus minimizing the expense and risks of carrying excess inventories. We do not typically purchase substantial quantities in advance of production requirements. As a result, we are exposed to market risks related to changes in commodity prices of these components.

**Table of Contents****Item 8. Financial Statements and Supplementary Data**

The following consolidated financial statements and notes are filed as part of this report.

**Sealed Air Corporation**

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**Report of Independent Registered Public Accounting Firm**

The Board of Directors and Stockholders

Sealed Air Corporation:

We have audited the accompanying consolidated balance sheets of Sealed Air Corporation and subsidiaries as of December 31, 2011 and 2010, and the related consolidated statements of operations, stockholders' equity, cash flows and comprehensive income for each of the years in the three-year period ended December 31, 2011. In connection with our audits of the consolidated financial statements, we also have audited financial statement schedule II valuation and qualifying accounts and reserves. We also have audited Sealed Air Corporation's internal control over financial reporting as of December 31, 2011, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Sealed Air Corporation's management is responsible for these consolidated financial statements and financial statement schedule, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule, and an opinion on the Company's internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the consolidated financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Sealed Air Corporation and subsidiaries as of December 31, 2011 and 2010, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2011, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein. Also in our opinion, Sealed Air Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Sealed Air Corporation acquired Diversey Holdings Inc., on October 3, 2011, and management excluded from its assessment of the effectiveness of Sealed Air Corporation's internal control over financial reporting as of December 31, 2011, Diversey Holdings Inc.'s internal control over financial reporting associated with total assets of \$6.5 billion (of which \$4.7 billion represented goodwill and intangible assets included within the scope of the assessment) and total net sales of \$796 million included in the consolidated financial statements of Sealed Air Corporation as of and for the year ended December 31, 2011. Our audit of internal control over financial reporting of Sealed Air Corporation also excluded an evaluation of the internal control over financial reporting of Diversey Holdings Inc.

/s/ KPMG LLP

Short Hills, New Jersey

February 29, 2012

**Table of Contents****SEALED AIR CORPORATION AND SUBSIDIARIES****Consolidated Balance Sheets**

	December 31,	
	2011	2010
	(In millions, except share data)	
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 722.8	\$ 675.6
Receivables, net of allowance for doubtful accounts of \$16.3 in 2011 and \$17.0 in 2010	1,385.8	697.1
Inventories	798.1	495.8
Deferred tax assets	230.3	146.2
Prepaid expenses and other current assets	125.6	25.3
 Total current assets	 3,262.6	 2,040.0
Property and equipment, net	1,322.1	948.3
Goodwill	4,220.5	1,945.9
Intangible assets, net	2,103.2	78.0
Non-current deferred tax assets	129.3	179.6
Other assets, net	459.0	207.6
 Total assets	 \$ 11,496.7	 \$ 5,399.4
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
Current liabilities:		
Short-term borrowings	\$ 34.5	\$ 23.5
Current portion of long-term debt	1.9	6.5
Accounts payable	619.0	232.0
Deferred tax liabilities	16.0	5.0
Settlement agreement and related accrued interest	831.2	787.9
Accrued restructuring costs	37.1	7.9
Other current liabilities	843.8	384.9
 Total current liabilities	 2,383.5	 1,447.7
Long-term debt, less current portion	5,010.9	1,399.2
Non-current deferred tax liabilities	532.0	8.0
Other liabilities	617.9	142.9
 Total liabilities	 8,544.3	 2,997.8
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$0.10 par value per share, 50,000,000 shares authorized; no shares issued in 2011 and 2010		
Common stock, \$0.10 par value per share, 400,000,000 shares authorized; shares issued: 202,528,616 in 2011 and 169,272,636 in 2010; shares outstanding: 192,062,185 in 2011 and 159,305,507 in 2010	20.3	17.0
Common stock reserved for issuance related to Settlement agreement, \$0.10 par value per share, 18,000,000 shares in 2011 and 2010	1.8	1.8
Additional paid-in capital	1,689.6	1,152.7
Retained earnings	1,766.5	1,706.1
Common stock in treasury, 10,466,431 in 2011 and 9,967,129 shares in 2010	(375.6)	(362.7)
Accumulated other comprehensive loss, net of taxes:		
Unrecognized pension items	(43.2)	(47.9)
Cumulative translation adjustment	(104.0)	(65.9)
Unrealized gain on derivative instruments	2.1	3.5



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Total accumulated other comprehensive loss, net of taxes	(145.1)	(110.3)
Total parent company stockholders' equity	2,957.5	2,404.6
Noncontrolling interests	(5.1)	(3.0)
Total stockholders' equity	2,952.4	2,401.6
Total liabilities and stockholders' equity	\$ 11,496.7	\$ 5,399.4

See accompanying notes to consolidated financial statements.

**Table of Contents****SEALED AIR CORPORATION AND SUBSIDIARIES****Consolidated Statements of Operations**

	Year Ended December 31,		
	2011	2010	2009
(In millions, except per share amounts)			
Net sales:			
Food Packaging	\$ 2,053.2	\$ 1,923.6	\$ 1,839.8
Food Solutions	1,015.4	934.9	891.7
Protective Packaging	1,409.5	1,299.4	1,192.9
Diversey	795.9		
Other	366.9	332.2	318.4
<b>Total net sales</b>	<b>5,640.9</b>	<b>4,490.1</b>	<b>4,242.8</b>
Cost of sales	3,999.7	3,237.3	3,024.3
<b>Gross profit</b>	<b>1,641.2</b>	<b>1,252.8</b>	<b>1,218.5</b>
Marketing, administrative and development expenses	1,034.9	699.0	707.5
Amortization expense of intangible assets acquired	41.3	11.2	11.7
Costs related to the acquisition of Diversey	64.8		
Restructuring and other charges	52.8	7.6	7.0
<b>Operating profit</b>	<b>447.4</b>	<b>535.0</b>	<b>492.3</b>
Interest expense	(217.1)	(161.6)	(154.9)
Net gains on sale (other-than-temporary impairment) of available-for-sale securities		5.9	(4.0)
Foreign currency exchange (losses) gains related to Venezuelan subsidiaries	(0.3)	5.5	
Loss on debt redemption		(38.5)	(3.4)
Other expense, net	(13.9)	(2.9)	(0.1)
<b>Earnings before income tax provision</b>	<b>216.1</b>	<b>343.4</b>	<b>329.9</b>
Income tax provision	67.0	87.5	85.6
<b>Net earnings available to common stockholders</b>	<b>\$ 149.1</b>	<b>\$ 255.9</b>	<b>\$ 244.3</b>
<b>Net earnings per common share:</b>			
Basic	\$ 0.89	\$ 1.61	\$ 1.54
Diluted	\$ 0.80	\$ 1.44	\$ 1.35
Dividends per common share	\$ 0.52	\$ 0.50	\$ 0.48
<b>Weighted average number of common shares outstanding:</b>			
Basic	167.0	158.3	157.2
Diluted	185.4	176.7	182.6

See accompanying notes to consolidated financial statements.

**Table of Contents****SEALED AIR CORPORATION AND SUBSIDIARIES****Consolidated Statements of Stockholders' Equity**

	Common Stock Reserved for Issuance			Additional	Retained	Accumulated	Total Parent	Non-	Total	
	Common	Settlement	Paid-in	Capital	Earnings	Common	Company	Controlling	Stockholders	
	Stock	Agreement	Capital			Stock in	Stockholders	Interests	Equity	
						Treasury	Equity		Equity	
						Loss,	Net of			
						Taxes				
						(In millions)				
Balance at December 31, 2008	\$ 16.8	\$ 1.8	\$ 1,102.5		\$ 1,364.3	\$ (383.2)	\$ (177.6)	\$ 1,924.6	\$ 1.0	\$ 1,925.6
Effect of contingent stock transactions, net of taxes	0.1		38.3			(1.4)		37.0		37.0
Stock issued for share-based incentive compensation			(13.7)			20.0		6.3		6.3
Recognition of deferred pension items, net of taxes							(10.2)	(10.2)		(10.2)
Foreign currency translation, net of taxes							71.6	71.6		71.6
Unrecognized loss on derivative instruments, net of taxes							(0.9)	(0.9)		(0.9)
Unrecognized gains on available-for-sale securities, net of taxes							4.4	4.4		4.4
Noncontrolling interests									(0.3)	(0.3)
Net earnings					244.3			244.3		244.3
Dividends on common stock					(77.5)			(77.5)		(77.5)
Balance at December 31, 2009	\$ 16.9	\$ 1.8	\$ 1,127.1		\$ 1,531.1	\$ (364.6)	\$ (112.7)	\$ 2,199.6	\$ 0.7	\$ 2,200.3
Effect of contingent stock transactions, net of taxes	0.1		28.3			(1.2)		27.2		27.2
Stock issued for share-based incentive compensation			(5.2)			12.9		7.7		7.7
Purchases of common stock						(9.8)		(9.8)		(9.8)
Recognition of deferred pension items, net of taxes							22.5	22.5		22.5
Foreign currency translation, net of taxes							(15.1)	(15.1)		(15.1)
Unrecognized loss on derivative instruments, net of taxes							(0.6)	(0.6)		(0.6)
Unrecognized losses on available-for-sale securities, net of taxes							(4.4)	(4.4)		(4.4)

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Noncontrolling interests				2.5					2.5	(3.7)	(1.2)							
Net earnings				255.9					255.9		255.9							
Dividends on common stock				(80.9)					(80.9)		(80.9)							
Balance at December 31, 2010	\$	17.0	\$	1.8	\$	1,152.7	\$	1,706.1	\$	(362.7)	\$	(110.3)	\$	2,404.6	\$	(3.0)	\$	2,401.6
Effect of contingent stock transactions, net of taxes		0.1				27.4				(12.9)				14.6				14.6
Stock issued for share-based incentive compensation						0.7								0.7				0.7
Shares issued in connection with Diversey acquisition		3.2				509.7								512.9				512.9
Recognition of deferred pension items, net of taxes										4.7				4.7				4.7
Foreign currency translation, net of taxes										(38.1)				(38.1)				(38.1)
Unrecognized loss on derivative instruments, net of taxes										(1.4)				(1.4)				(1.4)
Noncontrolling interests						(0.9)								(0.9)	(2.1)			(3.0)
Net earnings						149.1				149.1				149.1				149.1
Dividends on common stock						(88.7)				(88.7)				(88.7)				(88.7)
Balance at December 31, 2011	\$	20.3	\$	1.8	\$	1,689.6	\$	1,766.5	\$	(375.6)	\$	(145.1)	\$	2,957.5	\$	(5.1)	\$	2,952.4

See accompanying notes to consolidated financial statements.

**Table of Contents****SEALED AIR CORPORATION AND SUBSIDIARIES****Consolidated Statements of Cash Flows**

	Year Ended December 31,		
	2011	2010	2009
	(In millions)		
Cash flows from operating activities:			
Net earnings available to common stockholders	\$ 149.1	\$ 255.9	\$ 244.3
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	189.5	154.7	154.5
Share-based incentive compensation	25.0	30.6	38.8
Costs related to the acquisition of Diversey	64.8		
Amortization of senior debt related items and other	4.9	1.7	1.0
Loss on debt redemption		38.5	3.4
Provisions for bad debt	8.6	6.4	6.8
Provisions for inventory obsolescence	9.2	2.1	6.6
Deferred taxes, net	(55.6)	(3.3)	(16.6)
Excess tax benefit from share-based incentive compensation	(2.6)		
Net loss on sales of small product lines			0.2
Net gain on disposals of property and equipment and other	(6.3)	(0.8)	(3.0)
(Net gains on sale) other-than-temporary impairment of available-for-sale securities		(5.9)	4.0
Changes in operating assets and liabilities, net of effects of businesses acquired:			
Changes in restricted cash	(6.3)		
Receivables, net	(116.0)	(33.9)	115.2
Accounts receivable securitization program			(80.0)
Inventories	(9.0)	(19.4)	109.7
Other assets, net	47.1	16.3	9.6
Accounts payable	(14.4)	19.0	(68.4)
Other liabilities	104.1	21.2	25.9
Net cash provided by operating activities	392.1	483.1	552.0
Cash flows from investing activities:			
Capital expenditures for property and equipment	(124.5)	(87.6)	(80.3)
Acquisition of Diversey, net of cash and cash equivalents acquired	(1,983.1)		
Investment in Diversey preferred stock	(262.9)		
Other businesses acquired in purchase transactions, net of cash and cash equivalents acquired and equity investment in 2011 and 2010	(12.0)	(24.1)	
Proceeds from sale of available-for-sale securities		12.6	
Proceeds from sales of property and equipment	10.4	4.2	7.2
Other investing activities	1.7	(2.0)	2.8
Net cash used in investing activities	(2,370.4)	(96.9)	(70.3)
Cash flows from financing activities:			
Changes in restricted cash	262.9		
Payments of long-term debt	(1,753.6)	(276.1)	(585.3)
Proceeds from long-term debt	3,706.4		766.6
Dividends paid on common stock	(87.4)	(79.7)	(75.7)
Acquisition of common stock for tax withholding obligations under our 2005 contingent stock plan	(12.2)		
Net payments of short-term borrowings	(43.9)	(4.4)	(8.3)
Payments of debt issuance costs	(51.2)		(7.0)
Repurchases of common stock		(9.8)	

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Excess tax benefit from share-based incentive compensation	2.6		
Other financing activities		(3.0)	
Net cash provided by (used in) financing activities	2,023.6	(373.0)	90.3
Effect of foreign currency exchange rate changes on cash and cash equivalents	1.9	(32.1)	(6.4)
<b>Cash and cash equivalents:</b>			
Balance, beginning of period	\$ 675.6	\$ 694.5	\$ 128.9
Net change during the period	47.2	(18.9)	565.6
Balance, end of period	\$ 722.8	\$ 675.6	\$ 694.5
<b>Supplemental Cash Flow Information:</b>			
Interest payments, net of amounts capitalized	\$ 135.3	\$ 128.7	\$ 100.9
Income tax payments	\$ 129.8	\$ 86.6	\$ 114.3
<b>Non-cash items:</b>			
<i>Non-cash items associated with the acquisition of Diversey:</i>			
31.7 million shares of Sealed Air common stock issued in connection with the Diversey acquisition	\$ 512.9	\$	\$
Fair value of Diversey preferred stock investment	\$ 262.9	\$	\$
Fair-value-based measure of the portion of the SARs attributed to pre-acquisition service	\$ 50.8	\$	\$
<i>Other non-cash items:</i>			
Transfers of shares of our common stock from Treasury as part of our 2009 and 2008 profit-sharing plan contributions			
	\$	\$ 7.2	\$ 5.9
Net unrealized (losses) gains on available-for-sale securities	\$	\$ (7.0)	\$ 7.0

See accompanying notes to consolidated financial statements.

**Table of Contents****SEALED AIR CORPORATION AND SUBSIDIARIES****Consolidated Statements of Comprehensive Income**

	Year Ended December 31,		
	2011	2010	2009
	(In millions)		
Net earnings available to common stockholders	\$ 149.1	\$ 255.9	\$ 244.3
Other comprehensive income, net of taxes:			
Recognition of deferred pension items, net of taxes of \$1.0 in 2011, \$(1.8) in 2010 and \$3.6 in 2009	4.7	22.5	(10.2)
Unrealized losses on derivative instruments, net of taxes of \$0.7 in 2011, \$0.4 in 2010 and \$0.5 in 2009	(1.4)	(0.6)	(0.9)
Unrealized (losses) gains on available-for-sale securities, reclassified to net earnings, net of taxes of \$(2.6) in 2010 and \$2.6 in 2009		(4.4)	4.4
Foreign currency translation adjustments	(38.1)	(15.1)	71.6
Comprehensive income, net of income taxes	\$ 114.3	\$ 258.3	\$ 309.2

See accompanying notes to consolidated financial statements.

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**SEALED AIR CORPORATION AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

**Note 1 Organization and Nature of Operations**

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

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

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

**Note 2 Summary of Significant Accounting Policies and Recently Issued Accounting Standards**

*Summary of Significant Accounting Policies*

*Basis of Presentation*

Our consolidated financial statements include all of the accounts of the Company and our subsidiaries. We have eliminated all significant intercompany transactions and balances in consolidation. All amounts are in millions, except per share amounts, and approximate due to rounding. Some prior period amounts have been reclassified to conform to the current year presentation. These reclassifications, individually and in the aggregate, had no impact on our consolidated financial condition, results of operations and cash flows.

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



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**SEALED AIR CORPORATION AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements (Continued)**

*Use of Estimates*

The preparation of our consolidated financial statements and related disclosures in conformity with U.S. GAAP requires our management to make estimates and assumptions that affect the reported amounts of assets and liabilities, including amounts recorded in connection with the acquisition of Diversey, the disclosure of contingent assets and liabilities at the date of the financial statements and revenue and expenses during the period reported. These estimates include, among other items, assessing the collectibility of receivables, the use and recoverability of inventory, the estimation of fair value of financial instruments, assumptions used in the calculation of income taxes, useful lives and recoverability of tangible and intangible assets, assumptions used in our defined benefit pension plans, estimates related to self-insurance such as the aggregate liability for uninsured claims using historical experience, insurance and actuarial estimates and estimated trends in claim values, costs for incentive compensation and accruals for commitments and contingencies. We review these estimates and assumptions periodically using historical experience and other factors and reflect the effects of any revisions in the consolidated financial statements in the period we determine any revisions to be necessary. Actual results could differ from these estimates.

*Financial Instruments*

We may use financial instruments, such as cross currency swaps, interest rate swaps, caps and collars, U.S. Treasury lock agreements and foreign currency exchange forward contracts and options relating to our borrowing and trade activities. We may use these financial instruments from time to time to manage our exposure to fluctuations in interest rates and foreign currency exchange rates. We do not purchase, hold or sell derivative financial instruments for trading purposes. We face credit risk if the counterparties to these transactions are unable to perform their obligations. Our policy is to have counterparties to these contracts that are rated at least A- by Standard & Poor's and A3 by Moody's.

We report derivative instruments at fair value and establish criteria for designation and effectiveness of transactions entered into for hedging purposes. Before entering into any derivative transaction, we identify our specific financial risk, the appropriate hedging instrument to use to reduce this risk, and the correlation between the financial risk and the hedging instrument. We use purchase orders and historical data as the basis for determining the anticipated values of the transactions to be hedged. We do not enter into derivative transactions that do not have a high correlation with the underlying financial risk we are trying to reduce. We regularly review our hedge positions and the correlation between the transaction risks and the hedging instruments.

We account for derivative instruments as hedges of the related underlying risks if we designate these derivative instruments as hedges and the derivative instruments are effective as hedges of recognized assets or liabilities, forecasted transactions, unrecognized firm commitments or forecasted intercompany transactions.

We record gains and losses on derivatives qualifying as cash flow hedges in other comprehensive income, to the extent that hedges are effective and until the underlying transactions are recognized in the consolidated statements of operations, at which time we recognize the gains and losses in the consolidated statements of operations. We recognize gains and losses on qualifying fair value hedges and the related loss or gain on the hedged item attributable to the hedged risk in the consolidated statements of operations.

Our practice is to terminate derivative transactions if the underlying asset or liability matures or is sold or terminated, or if we determine the underlying forecasted transaction is no longer probable of occurring. Any deferred gains or losses associated with derivative instruments are recognized on the consolidated statements of operations over the period in which the income or expense on the underlying hedged transaction is recognized.

See Note 12, Derivatives and Hedging Activities, for further details.

*Fair Value Measurements of Financial Instruments*

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

distinguishes between observable and unobservable inputs, which are categorized in one of the following levels:

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**SEALED AIR CORPORATION AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements (Continued)**

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

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

*Level 3 Inputs:* Unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at measurement date. Our fair value measurements for our financial instruments are subjective and involve uncertainties and matters of significant judgment. Changes in assumptions could significantly affect our estimates. See Note 13, Fair Value Measurements and Other Financial Instruments, for further details on our fair value measurements.

*Foreign Currency Translation*

In non-U.S. locations that are not considered highly inflationary, we translate the balance sheets at the end of period exchange rates with translation adjustments accumulated in stockholders' equity on our consolidated balance sheets. We translate the statements of operations at the average exchange rates during the applicable period.

We translate assets and liabilities of our operations in countries with highly inflationary economies at the end of period exchange rates, except that nonmonetary asset and liability amounts are translated at historical exchange rates. In countries with highly inflationary economies, we translate items reflected in the statements of operations at average rates of exchange prevailing during the period, except that nonmonetary amounts are translated at historical exchange rates.

*Commitments and Contingencies Litigation*

On an ongoing basis, we assess the potential liabilities related to any lawsuits or claims brought against us. While it is typically very difficult to determine the timing and ultimate outcome of these actions, we use our best judgment to determine if it is probable that we will incur an expense related to the settlement or final adjudication of these matters and whether a reasonable estimation of the probable loss, if any, can be made. In assessing probable losses, we make estimates of the amount of insurance recoveries, if any. We accrue a liability when we believe a loss is probable and the amount of loss can be reasonably estimated. Due to the inherent uncertainties related to the eventual outcome of litigation and potential insurance recovery, it is possible that disputed matters may be resolved for amounts materially different from any provisions or disclosures that we have previously made. We expense legal costs, including those legal costs expected to be incurred in connection with a loss contingency, as incurred.

*Revenue Recognition*

Our revenue earning activities primarily involve manufacturing and selling products, and we consider revenues to be earned when we have completed the process by which we are entitled to receive consideration. The following criteria are used for revenue recognition: persuasive evidence that an arrangement exists, shipment has occurred, selling price is fixed or determinable, and collection is reasonably assured.

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**SEALED AIR CORPORATION AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements (Continued)**

Sales taxes collected from customers and remitted to governmental authorities are accounted for on a net basis and therefore are excluded from net sales on the consolidated statements of operations.

Charges for rebates and other allowances are recognized as a deduction from revenue on an accrual basis in the period in which the associated revenue is recorded. When we estimate our rebate accruals, we consider customer-specific contractual commitments including stated rebate rates and history of actual rebates paid. Our rebate accruals are reviewed at each reporting period and adjusted to reflect data available at that time. We adjust the accruals to reflect any differences between estimated and actual amounts. These adjustments impact the amount of net sales recognized by us in the period of adjustment. Charges for rebates and other allowances were approximately 7% of net sales in 2011 and less than 5% of net sales in 2010 and 2009.

*Research and Development*

We expense research and development costs as incurred. Research and development costs were \$106 million in 2011, \$88 million in 2010 and \$81 million in 2009.

*Share-Based Incentive Compensation*

Our primary share-based employee incentive compensation program is the 2005 Contingent Stock Plan. See Note 18, *Stockholders' Equity*, for further information on this plan.

We record share-based compensation awards exchanged for employee services at fair value on the date of grant and record the expense for these awards in marketing, administrative and development expense on our consolidated statement of operations over the requisite employee service period. Share-based incentive compensation expense includes an estimate for forfeitures and anticipated achievement levels and is generally recognized over the expected term of the award on a straight-line basis.

*Environmental Expenditures*

We expense or capitalize environmental expenditures that relate to ongoing business activities, as appropriate. We expense costs that relate to an existing condition caused by past operations and which do not contribute to current or future net sales. We record liabilities when we determine that environmental assessments or remediation expenditures are probable and that we can reasonably estimate the associated cost or a range of costs.

*Income Taxes*

We file a consolidated U.S. federal income tax return. Our non-U.S. subsidiaries file income tax returns in their respective local jurisdictions. We provide for income taxes on those portions of our foreign subsidiaries' accumulated earnings that we believe are not reinvested indefinitely in our businesses. It is not practicable to estimate the amount of tax that might be payable on the portion of those accumulated earnings that we believe are reinvested indefinitely.

We account for income taxes under the asset and liability method to provide for income taxes on all transactions recorded in the consolidated financial statements. We recognize deferred tax assets and liabilities for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and tax benefit carry forwards. We determine deferred tax assets and liabilities at the end of each period using enacted tax rates.

We recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such positions are measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon settlement with tax authorities. We recognize interest and penalties related to unrecognized tax benefits in income tax expense on our consolidated statements of operations.

See Note 16, Income Taxes, for further discussion.

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**SEALED AIR CORPORATION AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements (Continued)**

*Cash and Cash Equivalents*

We consider highly liquid investments with original maturities of three months or less at the date of purchase to be cash equivalents. Our policy is to invest cash in excess of short-term operating and debt service requirements in cash equivalents. Cash equivalents are stated at cost, which approximates fair value because of the short term maturity of the instruments. Our policy is to transact with counterparties that are rated at least A- by Standard & Poor's and A3 by Moody's. Some of our operations are located in countries that are rated below A- or A3. In this case, we try to minimize our risk by holding cash and cash equivalents at financial institutions with which we have existing global relationships whenever possible, diversifying counterparty exposures and minimizing the amount held by each counterparty and within the country in total.

*Accounts Receivable Securitization*

Two of our primary U.S. operating subsidiaries are parties to an accounts receivable securitization program under which they sell eligible U.S. accounts receivable to an indirectly wholly-owned subsidiary that was formed for the sole purpose of entering into this program. The wholly-owned subsidiary in turn may sell an undivided ownership interest in these receivables to a participating bank or an issuer of commercial paper administered by the participating bank. The wholly-owned subsidiary retains the receivables it purchases from the two operating subsidiaries.

Before January 1, 2010, if the wholly-owned subsidiary sold undivided ownership interests in receivables, we removed the transferred ownership interest amounts from our balance sheet at the time of the sale and reflected the proceeds from the sale in cash provided by operating activities on the consolidated statements of cash flows. Effective January 1, 2010, under U.S. GAAP, our current program qualifies as a secured borrowing rather than the sale of an asset. Any future transfers of ownership interests of receivables under our receivables securitization program to the issuer of commercial paper or to the participating bank are no longer considered sales of receivables but are considered secured borrowings and will be recorded as liabilities on our consolidated balance sheet.

*Receivables, Net*

In the normal course of business, we extend credit to customers that satisfy pre-defined credit criteria. Accounts receivable, which are included in receivables, net, on the consolidated balance sheets, are net of allowances for doubtful accounts. We maintain accounts receivable allowances for estimated losses resulting from the failure of our customers to make required payments. An additional allowance may be required if the financial condition of our customers deteriorates.

*Inventories*

We determine the cost of our legacy Sealed Air U.S. inventories on a last-in, first-out or LIFO cost flow basis. The cost of our U.S. equipment inventories and the balance of our U.S. inventories and most non-U.S. inventories is determined on a first-in, first-out or FIFO cost flow basis. We state inventories at the lower of cost or market.

*Property and Equipment, Net*

We state property and equipment at cost, except for the fair value of acquired property and equipment and property and equipment that have been impaired, for which we reduce the carrying amount to the estimated fair value at the impairment date. We capitalize significant improvements and charge repairs and maintenance costs that do not extend the lives of the assets to expense as incurred. We remove the cost and accumulated depreciation of assets sold or otherwise disposed of from the accounts and recognize any resulting gain or loss upon the disposition of the assets.

We depreciate the cost of property and equipment over their estimated useful lives on a straight-line basis as follows: buildings 20 to 40 years; machinery and equipment 5 to 10 years; and other property and equipment 2 to 10 years.

*Goodwill and Identifiable Intangible Assets*

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Goodwill represents the excess of the consideration transferred, the fair value of any noncontrolling interest in the acquiree and, if the business combination is achieved in stages, the acquisition-date fair value of our previously held equity interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

These assets consist primarily of patents, licenses, trademarks, trade names, customer lists and relationships, non-compete agreements and technology based intangibles and other contractual agreements. We

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**SEALED AIR CORPORATION AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements (Continued)**

amortize finite lived identifiable intangible assets over the shorter of their stated or statutory duration or their estimated useful lives, generally ranging from 3 to 15 years, on a straight-line basis to their estimated residual values and periodically review them for impairment. Total identifiable intangible assets comprise 18% in 2011 and 1% in 2010 of our consolidated total assets. See Note 3, Acquisition of Diversey Holdings, Inc., for further information on our acquired intangible assets.

We use the acquisition method of accounting for all business combinations and do not amortize goodwill or intangible assets with indefinite useful lives. Goodwill and intangible assets with indefinite useful lives are tested for possible impairment annually during the fourth quarter of each fiscal year or more frequently if events or changes in circumstances indicate that the asset might be impaired.

See Note 7, Goodwill and Identifiable Intangible Assets, for further discussion of our goodwill.

*Long-Lived Assets*

**Impairment and Disposal of Long-Lived Assets**

For definite lived intangible assets, such as customer relationships, contracts, intellectual property, and for other long-lived assets, such as property, plant and equipment, whenever impairment indicators are present, we perform a review for impairment. We calculate the undiscounted value of the projected cash flows associated with the asset, or asset group, and compare this estimated amount to the carrying amount. If the carrying amount is found to be greater, we record an impairment loss for the excess of book value over the fair value. In addition, in all cases of an impairment review, we re-evaluate the remaining useful lives of the assets and modify them, as appropriate.

For indefinite lived intangible assets, such as in-process research and development and trademarks and trade names, each year and whenever impairment indicators are present, we determine the fair value of the asset and record an impairment loss for the excess of book value over the fair value, if any. In addition, in all cases of an impairment review other than for in-process research and development assets, we re-evaluate whether continuing to characterize the asset as indefinite lived is appropriate.

**Conditional Asset Retirement Obligations**

We recognize a liability for a conditional asset retirement obligation when incurred if the liability can be reasonably estimated. A conditional asset retirement obligation is a legal obligation to perform an asset retirement activity in which the timing and/or method of settlement are conditional on a future event that may or may not be within our control. In addition, we would record a corresponding amount by increasing the carrying amount of the related long-lived asset, which is depreciated over the useful life of such long-lived asset.

*Self-Insurance*

We retain the obligation for specified claims and losses related to property, casualty, workers compensation and employee benefit claims. We accrue for outstanding reported claims and claims that have been incurred but not reported based upon management's estimates of the aggregate liability for retained losses using historical experience, insurance company estimates and the estimated trends in claim values. Our estimates include management's and independent insurance companies' assumptions regarding economic conditions, the frequency and severity of claims and claim development patterns and settlement practices. These estimates and assumptions are monitored and evaluated on a periodic basis by management and are adjusted when warranted by changing circumstances. Although management believes it has the ability to adequately project and record estimated claim payments, actual results could differ significantly from the recorded liabilities.

*Pensions*

We maintain a qualified non-contributory profit sharing plan in which some U.S. employees participate and qualified contributory retirement savings plans in which some U.S. employees are eligible to participate. For a number of our U.S. employees and our international employees, we maintain defined benefit pension plans. We are required to make assumptions regarding the valuation of projected benefit obligations and the performance of plan assets for our defined benefit pension plans.



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We review and approve the assumptions made by our actuaries regarding the valuation of benefit obligations and performance of plan assets. The principal assumptions concern the discount rate used to measure future obligations, the expected future rate of return on plan assets, the expected rate of future compensation increases and various other actuarial assumptions. The measurement date used to determine benefit obligations and plan assets is December 31. In general, significant changes to these assumptions could have a material impact on the costs and liabilities recorded in our consolidated financial statements.

As a result of the acquisition of Diversey we acquired Diversey's global pension and other post retirement benefit plans. See Note 14, Profit Sharing, Retirement Savings Plans and Defined Benefit Pension Plans, for information about the combined company's benefit plans.

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**SEALED AIR CORPORATION AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements (Continued)**

*Net Earnings per Common Share*

Basic earnings per common share is calculated by dividing net earnings available to common stockholders by the weighted average number of common shares outstanding for the period. Net earnings available to common stockholders was adjusted to reflect the reduction to interest expense, net of income taxes, that would have occurred as a result of the assumed conversion of the 3% Convertible Senior Notes for periods prior to the redemption of these notes in July 2009.

On January 1, 2009, we adopted a new accounting standard requiring non-vested share-based payment awards that contain non-forfeitable rights to dividends to be treated as participating securities and therefore included in computing earnings per common share using the two-class method. The two-class method is an earnings allocation formula that calculates basic and diluted net earnings per common share for each class of common stock separately based on dividends declared and participation rights in undistributed earnings. The non-vested restricted stock issued under our 2005 Contingent Stock Plan are considered participating securities since these securities have non-forfeitable rights to dividends when we declare a dividend during the contractual vesting period of the share-based payment award and therefore included in our earnings allocation formula using the two-class method.

When calculating diluted net earnings per common share, the more dilutive effect of applying either of the following is presented: (a) the two-class method (described above) assuming that the participating security is not exercised or converted, or, (b) the treasury stock method for the participating security. Our diluted net earnings per common share for all periods presented were calculated using the two-class method since such method was more dilutive.

See Note 19, Net Earnings Per Common Share, for further discussion.

***Recently Issued Accounting Standards***

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

***Adopted in 2011***

In September 2009, the Financial Accounting Standards Board ( FASB ) ratified an amendment to accounting standards addressing revenue recognition for arrangements with multiple revenue-generating activities. The amendment addresses how revenue should be allocated to separate elements that could impact the timing of revenue recognition. The amendment is effective for us on a prospective basis for revenue arrangements entered into or materially modified on or after January 1, 2011, and earlier application is permitted. We adopted this amendment on January 1, 2011 on a prospective basis, and any impact to our consolidated financial condition and results of operations will depend on future revenue arrangements we enter into. Currently, we do not believe the adoption of this amendment will materially impact our consolidated financial condition and results of operations.

In January 2010, the FASB issued authoritative guidance requiring additional disclosures about fair value measurements including transfers in and out of Levels 1 and 2 and a higher level of disaggregation for the different types of financial instruments. For the reconciliation of Level 3 fair value measurements, information about purchases, sales, issuances and settlements are presented separately. This standard was effective for interim and annual reporting periods beginning after December 15, 2009 with the exception of revised Level 3 disclosure requirements which are effective for interim and annual reporting periods beginning after December 15, 2010. Comparative disclosures are not required in the year of adoption. We adopted the provisions of the standard on January 1, 2011, which did not have a material impact on our financial statements.

In December 2010, the FASB issued an update to authoritative guidance with the objective of to address diversity in practice about the interpretation of the pro forma revenue and earnings disclosure requirements for business combinations. This update specifies, among other items, that if a public entity presents comparative financial statements, the entity should disclose revenue and earnings of the combined entity as though the business combination(s) that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period only. The amendments in this updated guidance are effective prospectively for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2010. Early adoption is permitted. We

adopted the provisions of the standard on January 1, 2011, which did not have a material impact on our financial statements.

*Adopted in 2012*

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

In September 2011, the FASB issued authoritative guidance on testing goodwill for impairment that will become effective for us beginning January 1, 2012. The revised standard is intended to reduce the cost and complexity of the annual goodwill impairment test by providing entities an option to perform a qualitative assessment to determine whether further impairment testing is necessary. We are currently assessing the potential impact of the adoption of this guidance on our financial statements.

**Note 3 Acquisition of Diversey Holdings, Inc.**

**Description of Transaction**

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

Under the terms of the acquisition agreement, we paid in aggregate \$2.1 billion in cash consideration and an aggregate of approximately 31.7 million shares of Sealed Air common stock to the shareholders of Diversey. We financed the payment of the cash consideration and related fees and expenses through (a) borrowings under our new Credit Facility, (b) proceeds from our issuance of the Notes and (c) cash on hand. In connection with the acquisition, we also used our new borrowings and cash on hand to retire \$1.6 billion of existing indebtedness of Diversey. The new Credit Facility and Notes are described further in Note 11, Debt and Credit Facilities.

**Table of Contents****SEALED AIR CORPORATION AND SUBSIDIARIES****Notes to Consolidated Financial Statements (Continued)****Consideration Transferred**

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

Cash	\$ 2,098.7
31.7 million shares of Sealed Air common stock (at October 3, 2011 average price of \$16.18 per share)	512.9
Fair value of Diversey preferred stock investment(1)	262.9
Fair-value-based measure of the portion of the SARs attributed to pre-acquisition service(2)	50.8
<b>Total consideration</b>	<b>\$ 2,925.3</b>

(1) On October 3, 2011, prior to the closing of the acquisition, we used cash on hand in the amount of \$262.9 million to purchase preferred stock of Diversey (the Preferred Stock Issuance) and this amount has been included in the consideration transferred. Diversey elected to exercise its covenant defeasance option with respect to its 10.50% senior notes due 2020 (the DHI Notes), and Diversey, Inc., a subsidiary of Diversey, elected to exercise its covenant defeasance option with respect to its 8.25% senior notes due 2019 (the DI Notes). In addition, Diversey elected to redeem 35% of the aggregate accreted value of the DHI Notes using a portion of the proceeds of the Preferred Stock Issuance, and Diversey, Inc. elected to redeem 35% of the aggregate principal amount of the DI Notes using a portion of the proceeds of the Preferred Stock Issuance that had been contributed to the equity capital of Diversey, Inc. Each such redemption occurred on November 2, 2011 (the Equity Claw Redemption Date).

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

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

The fair-value-based measure of the SARs at October 3, 2011 was \$100.2 million based on the assumptions as of the closing date of the acquisition. The fair value of the SARs was calculated using a Black-Scholes valuation model with assumptions with respect to each of the following variables: closing stock price on October 3, 2011; forfeiture rates; risk-free interest rates; expected volatility and a dividend yield. We included the fair value of Diversey cash-settled stock appreciation rights and unvested stock options converted to SARs of \$50.8 million in the consideration transferred for the acquisition that was related to services rendered prior to the acquisition.

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

During the three months ended December 31, 2011, we recognized compensation expense of \$19 million related to SARs. This expense was based on the assumptions mentioned above and is included in marketing, administrative and development expenses on our consolidated statements of operations. Payments due to the exercise of SARs in the three months ended December 31, 2011 were \$22 million. As of December 31, 2011, the remaining liability for these SARs was \$47 million.

In addition, in the three months ended December 31, 2011, we recognized compensation expense of \$38 million for SARs, which was included in restructuring charges on our consolidated statements of operations for the termination and benefit costs related to the Diversey employees that were part of the 2011–2014 Integration & Optimization Program. Payments due to the exercise of these SARs were \$28 million in the three months ended December 31, 2011. The remaining liability for SARs included in the restructuring plan was \$12 million as of December 31, 2011.

**Table of Contents****SEALED AIR CORPORATION AND SUBSIDIARIES****Notes to Consolidated Financial Statements (Continued)****Fair Value Estimate of Assets Acquired and Liabilities Assumed**

We are continuing our review of our fair value estimate of assets acquired and liabilities assumed during the measurement period, which will conclude as soon as we receive the information we are seeking about facts and circumstances that existed as of the acquisition date, or learn that more information is not available. This measurement period will not exceed one year from the acquisition date. At the effective date of the acquisition, the assets acquired and liabilities assumed are generally required to be measured at fair value.

Our fair value estimate of assets acquired and liabilities assumed is pending completion of several elements, including the finalization of an independent appraisal and valuations of fair value of the assets acquired and liabilities assumed and final review by our management. The primary areas that are not yet finalized relate to the fair value of receivables, net and payables, certain tangible assets acquired and liabilities assumed, the valuation of property and equipment, the valuation of intangible assets acquired, the valuation of the SARs, environmental and legal reserves, favorable or unfavorable contracts, operating leases or commitments, contingent liabilities and income and non-income based taxes, including the filing of pre-acquisition tax returns for Diversey. Accordingly, there could be material adjustments to our consolidated financial statements, including changes to our depreciation and amortization expense related to the valuation of property and equipment and intangible assets acquired and their respective useful lives among other adjustments.

Legacy Diversey is subject to legal and regulatory requirements, including but not limited to those related to environmental matters and taxation, in each of the jurisdictions in which it operates. We have conducted a preliminary assessment of the liabilities arising from these matters in each of these jurisdictions and have recognized provisional amounts in our initial accounting for the acquisition of Diversey for all identified liabilities. However, we are continuing our review of these matters during the measurement period, and if new information obtained about facts and circumstances that existed at the acquisition date identifies adjustments to the liabilities initially recognized, as well as any additional liabilities that existed at the acquisition date, the acquisition accounting will be revised to reflect the resulting adjustments to the provisional amounts initially recognized.

The final determination of the assets acquired and liabilities assumed will be based on the established fair value of the assets acquired and the liabilities assumed as of the acquisition date. The excess of the purchase price over the fair value of net assets acquired is allocated to goodwill. The final determination of the purchase price, fair values and resulting goodwill may differ significantly from what is reflected in these consolidated financial statements. Goodwill is not tax deductible.

The following table summarizes the preliminary estimated fair values of the assets acquired and liabilities assumed at the acquisition date.

<b>Net assets acquired (liabilities assumed):</b>	
Cash	\$ 109.3
Restricted cash	269.2
Receivables, net	592.7
Inventories(1)	308.1
Current deferred tax assets(2)	60.9
Prepaid expenses and other current assets	161.8
Property and equipment, net(3)	420.0
Intangible assets(4)	2,072.1
Non-current deferred tax assets(2)	62.9
Other assets, net(5)	178.7
Short-term borrowings	(55.0)
Accounts payable	(337.8)
Other current liabilities	(488.8)

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Long-term debt, less current portion	(1,648.8)
Non-current deferred tax liabilities(2)	(619.4)
Other liabilities(5)	(443.2)
<b>Total net assets acquired</b>	<b>642.7</b>
Goodwill	2,282.6
<b>Total consideration</b>	<b>\$ 2,925.3</b>

**Table of Contents****SEALED AIR CORPORATION AND SUBSIDIARIES****Notes to Consolidated Financial Statements (Continued)**

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

**(1) Inventories**

Estimated net step-up in fair value	\$ 11.6
Increase due to change from LIFO to FIFO	5.5
<b>Total</b>	<b>\$ 17.1</b>

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

**(2) Deferred taxes**

In connection with the acquisition of Diversey, we acquired the stock of Diversey and therefore inherited the historical tax bases of its assets and liabilities, as well as its other tax attributes. As a result, we established deferred tax assets and liabilities with respect to the net step-up to fair value of assets and liabilities other than goodwill. We also inherited various tax uncertainties and valuation allowances, which were adjusted to reflect our judgments and estimates regarding the ultimate resolution of the items and consideration of the combined company activities including treatment of unremitted earnings of Diversey's foreign subsidiaries. See Note 16, *Income Taxes*, for further information. Any adjustments to our estimate of assets acquired and liabilities assumed may result in a change to our deferred tax assets and liabilities.

The net deferred tax liability associated with the fair value of assets acquired and liabilities assumed was approximately \$503 million. Diversey has significant unremitted foreign earnings, most of which are not permanently reinvested. As a result, as further described in Note 16, *Income Taxes*, a \$94 million liability is included in non-current deferred tax liabilities. Also included in Diversey liabilities and as a reduction to certain deferred tax assets is \$183 million for uncertain tax positions, as well as interest and penalties in addition to potential tax liabilities. In addition, we acquired from Diversey various deferred tax assets, including various accruals, such as pension and deferred compensation obligations that are not yet deductible, as well as, to a lesser extent, certain credits and foreign net operating losses, for which a valuation allowance was not needed. These amounts, net of valuation allowances, are included in deferred tax assets (current and non-current). See Note 16, *Income Taxes* for further discussion. Included in other current liabilities is a \$54 million liability for income taxes payable and \$8 million of current deferred tax liabilities.

**(3) Property and equipment**



	<b>Estimated Net Step-up in Fair Value</b>
Land	\$ 53.2
Buildings and building improvements	0.8
Machinery and equipment	21.5
Fixed assets other	12.4
<b>Total</b>	<b>\$ 87.9</b>

As of the effective date of the acquisition, property and equipment is required to be measured at fair value, unless those assets are classified as held-for-sale on the acquisition date. It is assumed that all property and equipment will be used and that all assets will be used in a manner that represents the highest and best use of those assets. The fair value can be estimated using a market approach (such as the sales comparison approach), an income approach (such as the income capitalization method) or a cost approach (such as replacement cost new method). As part of the appraisal process for real estate (land, buildings and building improvements), a reconciliation of all value indications was performed which resulted in the cost approach being the primary valuation methodology selected. For personal property (machinery and equipment and fixed assets other) the cost approach was also the primary approach selected and the market and income approaches were also used, as applicable. Our fair value adjustment to property and equipment has been made by obtaining an understanding of the nature, amount and type of Diversey property and equipment as of October 3, 2011. The estimated net step-up in fair value is preliminary and subject to change as we confirm the physical existence and condition of certain property and equipment and finalize assumptions.

**Table of Contents****SEALED AIR CORPORATION AND SUBSIDIARIES****Notes to Consolidated Financial Statements (Continued)****(4) Intangible assets**

	<b>Estimated Fair Value</b>	<b>Estimated Weighted Average Useful Lives (Years)</b>
Customer relationships	\$ 1,007.6	13.0
Trademarks and trade names	872.4	indefinite
Technology (1)	159.6	8/indefinite
Contracts	32.5	5.0
<b>Total</b>	<b>\$ 2,072.1</b>	

(1) Includes software of \$84.0 million (3 year useful life), patents and trade secrets of \$69.9 million (8 year weighted-average useful life), and in-process research and development ( IPR&D ) of \$5.7 million. IPR&D is an indefinite-lived intangible asset.

It is assumed that all intangible assets will be used in a manner that represents the highest and best use of those assets, but it is not assumed that any revenue enhancements or synergies will be achieved.

The preliminary fair value of intangible assets was determined primarily using income approaches. This included the multi-period excess earnings valuation method for customer relationships, in-process research and development and contracts and the relief-from-royalty valuation method for trademarks and trade names, patents and trade secrets. The cost to replace adjusted for obsolescence was the valuation method used to fair value software. Some of the more significant assumptions used in the development of intangible asset values, as applicable, include the amount and timing of projected future cash flows (including net sales, cost of sales, marketing, administrative and development expenses and working capital); the discount rate selected to measure the risks inherent in the future cash flows; the assessment of the asset's life cycle and the competitive trends impacting the asset; and royalty rates. The fair values of the intangible assets included above are preliminary and subject to change.

**(5) Other assets, net and other liabilities**

Other assets, net and other liabilities include the fair value of the assets acquired and liabilities assumed for Diversey's global pension and other postretirement benefit plans. We utilized third-party actuarial valuations to determine the fair value of the plan assets and liabilities of each of the individual plans as of the acquisition date. Other assets, net include \$45 million of noncurrent assets related to Diversey's pension and other postretirement benefit plans. Other liabilities include \$178 million of noncurrent liabilities related to Diversey's pension and other postretirement benefit plans. The assumed pension and postretirement liabilities as of the acquisition date consisted of projected benefit obligations of \$764 million and plan assets of \$630 million. See Note 14, Profit Sharing, Retirement Savings Plans and Defined Benefit Pension Plans, for further information of our combined company plans.

**Summary Financial Information and Unaudited Pro Forma Financial Information**

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The following table presents financial information for Diversey that is included in our consolidated statements of operations from October 3, 2011 through December 31, 2011:

Net sales	\$ 795.9
Operating loss (1)	\$ (57.1)
Loss from continuing operations	\$ (72.3)

(1) This loss includes:

restructuring charges of \$53 million primarily related to the 2011 - 2014 Integration & Optimization Program; amortization of intangible assets acquired of \$31 million; a non-recurring charge related to the step-up in inventories of \$12 million; and nonrecurring charges related to associated costs for legacy Diversey's prior restructuring programs of \$12 million.

**Table of Contents****SEALED AIR CORPORATION AND SUBSIDIARIES****Notes to Consolidated Financial Statements (Continued)**

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

	<b>Year Ended December 31, 2011</b>	<b>Year Ended December 31, 2010</b>
Net sales	\$ 8,105.4	\$ 7,617.8
Operating profit(1)	\$ 637.5	\$ 688.7
Net earnings from continuing operations(1)	\$ 129.8	\$ 173.8
Weighted average number of common shares outstanding:		
Basic	190.8	190.0
Diluted	209.2	208.4
Net earnings per common share:		
Basic	\$ 0.68	\$ 0.91
Diluted	\$ 0.62	\$ 0.83

(1) Included in the pro forma results above is:

total depreciation and amortization expense of \$320 million in 2011 and \$329 million in 2010;

restructuring and other charges of \$51.4 million in 2011 and \$5.3 million in 2010; and

interest expense of \$402 million in 2011 and \$410 million in 2010;

loss on debt redemption of \$39 million in 2010; and

effective income tax rates of 42% in 2011 and 30% in 2010, which reflect the tax benefits from legacy Diversey's U.S. tax losses. We used Diversey's U.S. federal net operating losses in transactions consummated before December 31, 2011.

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While we have retained valuation allowances against most of Diversey's foreign tax credits (both in the U.S. and worldwide), based on our assessment of projected U.S. taxable income, including the reversal of deferred tax liabilities, we are not retaining a valuation allowance against its U.S. federal net operating losses and U.S. temporary differences.

For the year ended December 31, 2011, material non-recurring pro forma adjustments include the removal of costs related to the acquisition of Diversey of \$70 million, including \$6 million of acquisition costs included in legacy Diversey's consolidated statement of operations for the nine months ended September 30, 2011, and the removal of the step-up in inventories, net, of \$12 million.

For the year ended December 31, 2010, there were no material non-recurring pro forma adjustments.

### Note 4 Segments

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

	2011	2010	2009
<b>Net sales</b>			
Food Packaging	\$ 2,053.2	\$ 1,923.6	\$ 1,839.8
Food Solutions	1,015.4	934.9	891.7
Protective Packaging	1,409.5	1,299.4	1,192.9
Diversey	795.9		
Other	366.9	332.2	318.4
<b>Total</b>	<b>\$ 5,640.9</b>	<b>\$ 4,490.1</b>	<b>\$ 4,242.8</b>
<b>Depreciation and amortization on property, plant and equipment and intangible assets acquired</b>			
Food Packaging	\$ 66.5	\$ 70.8	\$ 69.2
Food Solutions	31.8	29.9	31.4
Protective Packaging	25.6	33.6	34.1
Diversey	44.8		
Other	20.8	20.4	19.8
<b>Total</b>	<b>\$ 189.5</b>	<b>\$ 154.7</b>	<b>\$ 154.5</b>
<b>Operating profit (loss)</b>			
Food Packaging	\$ 276.5	\$ 262.7	\$ 251.7
Food Solutions	101.5	99.2	85.7
Protective Packaging	183.8	169.5	150.0
Diversey	(2.9)		
Other	6.1	11.2	11.9
<b>Total segments and other</b>	<b>565.0</b>	<b>542.6</b>	<b>499.3</b>
Costs related to the acquisition of Diversey	64.8		
Restructuring and other charges(1)	52.8	7.6	7.0
<b>Total</b>	<b>\$ 447.4</b>	<b>\$ 535.0</b>	<b>\$ 492.3</b>

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

	2011	2010	2009
Food Packaging	\$	\$ 3.7	\$ 6.0
Food Solutions			1.0
Protective Packaging	(0.4)	3.8	(0.1)
Diversey	53.2		
Other		0.1	0.1
Total	\$ 52.8	\$ 7.6	\$ 7.0

**Table of Contents****SEALED AIR CORPORATION AND SUBSIDIARIES****Notes to Consolidated Financial Statements (Continued)**

The restructuring and other charges in 2011 primarily relate to the 2011-2014 Integration and Optimization Program. The restructuring and other charges in 2010 primarily relate to our global manufacturing strategy and our closure of a small factory in Europe. The restructuring and other charges in 2009 primarily relate to our global manufacturing strategy. See Note 9, Restructuring Activities, for further discussion.

**Assets by Reportable Segments**

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

	December 31, 2011	December 31, 2010
<b>Assets:</b>		
Trade receivables, net, and finished goods inventory, net		
Food Packaging	\$ 420.4	\$ 409.8
Food Solutions	210.1	204.7
Protective Packaging	307.8	297.9
Diversey	842.4	
Other	64.5	54.9
Total segments and other	1,845.2	967.3
Assets not allocated		
Cash and cash equivalents	722.8	675.6
Property and equipment, net	1,322.1	948.3
Goodwill	4,220.5	1,945.9
Intangibles, net	2,103.2	78.0
Other	1,282.9	784.3
Total	\$ 11,496.7	\$ 5,399.4

**Allocation of Goodwill to Reportable Segments**

Our management views goodwill as a corporate asset, so we do not allocate our goodwill balance to the reportable segments. However, we are required to allocate goodwill to each reporting unit to perform our annual impairment review of goodwill, which we do during the fourth quarter of the year. See Note 7, Goodwill and Identifiable Intangible Assets, for the allocation of goodwill, the changes in goodwill balances in the year ended December 31, 2011 by our segment reporting structure, and the details of our annual goodwill impairment review.

**Table of Contents****SEALED AIR CORPORATION AND SUBSIDIARIES****Notes to Consolidated Financial Statements (Continued)****Geographic Information**

	2011	2010	2009
Net sales(1):			
United States	\$ 2,305.2	\$ 2,081.6	\$ 1,969.1
Canada	172.6	145.0	133.2
EMEA	1,676.6	1,207.8	1,194.5
Latin America	545.7	434.3	386.4
Asia Pacific	940.8	621.4	559.6
<b>Total</b>	<b>\$ 5,640.9</b>	<b>\$ 4,490.1</b>	<b>\$ 4,242.8</b>
Total long-lived assets(1)(2):			
United States	\$ 4,558.0	\$ 2,375.3	
Canada	48.0	14.5	
EMEA	1,993.5	467.8	
Latin America	387.9	116.2	
Asia Pacific	1,117.4	206.0	
<b>Total</b>	<b>\$ 8,104.8</b>	<b>\$ 3,179.8</b>	

(1) Net sales attributed to the geographic areas represent net sales to external customers. No non-U.S. country had net sales in excess of 10% of consolidated net sales or long-lived assets in excess of 10% of consolidated long-lived assets at December 31, 2011.

(2) Total long-lived assets are total assets excluding total current assets and deferred tax assets.

**New Segment Structure**

On November 3, 2011, we announced the expected establishment of new business units for our segment reporting structure. The new segment reporting structure will consist of three global business units. This new structure is expected to be implemented in 2012 and will replace our existing seven business unit structure and Diversey's legacy four region-based structure.

The new segment reporting structure will include the following:

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



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

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

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

Until the new organization is implemented, we will continue to report our segment results using the following segment structure: Food Packaging, Food Solutions, Protective Packaging, Diversey, and an Other category. Additionally, there will be no immediate changes in how we manage our business with our customers, including the products, solutions and services we provide, however, our businesses will pursue revenue synergy opportunities where available.

### Note 5 Inventories

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

	December 31,	
	2011	2010
Inventories (at FIFO, which approximates replacement value):		
Raw materials	\$ 154.3	\$ 94.5
Work in process	122.8	112.6
Finished goods	574.3	337.8
Subtotal (at FIFO)	851.4	544.9
Reduction of certain inventories to LIFO basis	(53.3)	(49.1)
Total	\$ 798.1	\$ 495.8

**Table of Contents****SEALED AIR CORPORATION AND SUBSIDIARIES****Notes to Consolidated Financial Statements (Continued)**

We determine the value of our legacy Sealed Air non-equipment U.S. inventories by the last-in, first-out or LIFO inventory method. U.S. inventories determined by the LIFO method were \$121 million at December 31, 2011 and \$102 million at December 31, 2010.

**Note 6 Property and Equipment, net**

The following table details our property and equipment, net, at December 31, 2011 and 2010.

	December 31,	
	2011	2010
Land and improvements	\$ 167.7	\$ 53.0
Buildings	697.2	620.1
Machinery and equipment	2,470.9	2,325.8
Other property and equipment	170.7	106.3
Construction-in-progress	104.4	43.6
	3,610.9	3,148.8
Accumulated depreciation and amortization	(2,288.8)	(2,200.5)
Property and equipment, net	\$ 1,322.1	\$ 948.3

The following table details our interest cost capitalized and depreciation and amortization expense for property and equipment for the three years ended December 31, 2011.

	December 31,		
	2011	2010	2009
Interest cost capitalized	\$ 4.2	\$ 3.7	\$ 6.7
Depreciation and amortization expense for property and equipment	148.2	143.5	142.8

**Note 7 Goodwill and Identifiable Intangible Assets****Goodwill**

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

Carrying Value at	Goodwill Acquired	Impact of Foreign	Carrying Value at
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	December 31, 2010		Currency Translation	December 31, 2011
Food Packaging	\$ 382.9	\$ 8.7	\$ 0.1	\$ 391.7
Food Solutions	147.9			147.9
Protective Packaging	1,259.6		0.4	1,260.0
Diversey		2,282.6	(19.0)	2,263.6
Other category	155.5	1.8		157.3
Total	\$ 1,945.9	\$ 2,293.1	\$ (18.5)	\$ 4,220.5

*2011 Annual Goodwill Impairment Test*

We test goodwill for impairment on a reporting unit basis annually during the fourth quarter of each year and at other times if events or circumstances exist that indicate the carrying value of goodwill may no longer be recoverable. During 2011, we determined that there were no events or changes in circumstances that had occurred that would indicate that the fair value of any of our reporting units may be below its carrying value.

In the fourth quarter of 2011, we completed step one of our annual impairment test and fair value analysis for goodwill, and there were no impairments present and no impairment charge was recorded. We had the estimated fair values updated for all of our reporting units, except for the New Ventures reporting unit because this reporting unit does not have any goodwill included in its net asset value.

**Table of Contents****SEALED AIR CORPORATION AND SUBSIDIARIES****Notes to Consolidated Financial Statements (Continued)**

The excess of estimated fair values over carrying value, including goodwill, for each of our reporting units as of the 2011 annual test date were the following:

<b>Reporting Unit</b>	<b>% By Which Estimated Fair Value Exceeds Carrying Value</b>
Food Packaging	226%
Food Solutions	216
Protective Packaging	18
Shrink Packaging	70
Specialty Materials	27
Medical Applications	93

Although we determined that there was no goodwill impairment in 2011, the future occurrence of a potential indicator of impairment, such as a decrease in expected net earnings, adverse equity market conditions, a decline in current market multiples, a decline in our common stock price, a significant adverse change in legal factors or business climates, 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 before the next required annual assessment. In the event of significant adverse changes of the nature described above, we might have to recognize a non-cash impairment of goodwill, which could have a material adverse effect on our consolidated financial condition and results of operations.

**Identifiable Intangible Assets**

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

	<b>December 31,</b>	
	<b>2011</b>	<b>2010</b>
Gross carrying value	\$ 2,181.4	\$ 113.2
Accumulated amortization	(78.2)	(35.2)
<b>Total</b>	<b>\$ 2,103.2</b>	<b>\$ 78.0</b>

These intangible assets include \$909 million of intangible assets that we have determined to have indefinite useful lives, which primarily includes intangible assets acquired in connection with the acquisition of Diversey. See Note 3, Acquisition of Diversey Holdings, Inc., for more details.

Below is the amortization expense of our intangible assets for the three years ended December 31, 2011.

	December 31,		
	2011	2010	2009
Amortization expense of intangible assets acquired	\$ 41.3	\$ 11.2	\$ 11.7

The following table shows the remaining estimated future amortization expense at December 31, 2011.

2012	\$ 134.2
2013	132.7
2014	131.0
2015	99.1
2016	98.1
Thereafter	598.9
<b>Total</b>	<b>\$ 1,194.0</b>

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**SEALED AIR CORPORATION AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements (Continued)**

**Note 8 Accounts Receivable Securitization Program**

We and a group of our U.S. subsidiaries maintain an accounts receivable securitization program with a bank and an issuer of commercial paper administered by the bank. As of December 31, 2011, the maximum purchase limit for receivable interests was \$125 million, subject to the availability limits described below.

The amounts available from time to time under the program may be less than \$125 million due to a number of factors, including but not limited to our credit ratings, trade receivable balances, the creditworthiness of our customers and our receivables collection experience. During 2011, the level of eligible assets available under the program was lower than \$125 million primarily due to our current credit ratings. As a result, the amount available to us under the program was \$92 million at December 31, 2011. Although we do not believe that these restrictive provisions presently materially restrict our operations, if an additional event occurs that triggers one of these restrictive provisions, we could experience a further decline in the amounts available to us under the program or termination of the program.

As of December 31, 2011 and 2010, we had no amounts outstanding under this program, and we did not utilize this program during 2011.

The overall program is scheduled to expire in December 2012. In addition, the program includes a bank financing commitment that must be renewed annually. The bank financing commitment was renewed on December 2, 2011.

Under this receivables program, two of our primary subsidiaries, Cryovac, Inc. and Sealed Air Corporation (US), sell all of their eligible U.S. accounts receivable to Sealed Air Funding Corporation, or SA Funding, an indirectly wholly-owned subsidiary of ours that was formed for the sole purpose of entering into the receivables program. SA Funding in turn may sell undivided ownership interests in these receivables to the issuer of commercial paper or to the bank, subject to specified conditions, up to a maximum of \$125 million of receivables interests outstanding from time to time.

SA Funding retains the receivables it purchases from the operating subsidiaries, except those as to which it sells receivables interests to the purchasers under the program. We have structured the sales of accounts receivable by the operating subsidiaries to SA Funding and the sales of receivables interests from SA Funding to the purchasers as true sales under applicable laws. The assets of SA Funding are not available to pay any of our creditors or creditors of other subsidiaries or affiliates.

As a result of our adoption of a new accounting standard related to the transfer of financial assets on January 1, 2010, any transfers of ownership interests in receivables under this program are considered secured borrowings and will be recorded as liabilities on our consolidated balance sheets. Also, the costs associated with this program related to program fees on any outstanding borrowings under this program will now be included in interest expense, and the costs related to commitment fees on the unused portion of this program will continue to be included in other expense, net, on our consolidated statements of operations.

To secure the performance of their obligations under the receivables program, SA Funding and the operating subsidiaries granted a first priority security interest to the bank that is acting as administrative agent under the program in accounts receivable owned by them, proceeds and collections of those receivables and other collateral. The bank and issuer of commercial paper under the program have no recourse to us, the operating subsidiaries or SA Funding's other assets for any losses resulting from the financial inability of customers to pay amounts due on the receivables when they become due. As long as a termination event with respect to the receivables program has not occurred, the operating subsidiaries service, administer and collect the receivables under the receivables program as agents on behalf of SA Funding, the bank and the issuer of commercial paper.

Before a termination event under the receivables program, SA Funding uses collections of receivables not otherwise required to be paid to the bank or the issuer of commercial paper to purchase new eligible receivables from the operating subsidiaries. We have undertaken to cause the operating subsidiaries to perform their obligations under the receivables program.

Under limited circumstances, the bank and the issuer of commercial paper can end purchases of receivables interests before the above dates. A failure to comply with interest coverage, debt leverage ratios or various other ratios related to our receivables collection experience could result in termination of the receivables program. We were in compliance with these ratios at December 31, 2011 and 2010. During September 2011,

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we amended the program to remove a credit rating-based event of termination. In addition, as part of the renewal of the bank financing commitment in December 2011, certain definitions in the facility were amended to be consistent with the definitions under Sealed Air Corporation's new Credit Facility.

**Table of Contents****SEALED AIR CORPORATION AND SUBSIDIARIES****Notes to Consolidated Financial Statements (Continued)****Note 9 Restructuring Activities*****2011-2014 Integration and Optimization Program***

On December 14, 2011, we announced to our senior management the commencement of a restructuring program associated with the integration of Diversey's business following our acquisition of Diversey on October 3, 2011. The program primarily consists of (i) a reduction in headcount, (ii) the consolidation of facilities, and (iii) the consolidation and streamlining of certain customer and vendor contracts and relationships and is expected to be completed by the end of 2014.

The associated costs and related restructuring charges for this program in the three months and the year ended December 31, 2011 are included in the table below. We currently anticipate the total associated costs and restructuring charges related to this program to be in the range of \$165 million to \$185 million through 2014, although the actual timing of these charges is subject to change due to a variety of factors.

	<b>Three Months and Year Ended December 31, 2011</b>
Restructuring charges	\$ 52.9

The restructuring charges included in the table above are for termination and benefits costs, including \$38 million of SARs that were previously issued to Diversey employees as a portion of the consideration of the acquisition of Diversey. See Note 3, Acquisition of Diversey Holdings, Inc., for further discussion. These charges were included in restructuring and other charges on the consolidated statements of operations and included in our Diversey segment.

The components of the restructuring accrual, spending and other activity through December 31, 2011 and the accrual balance remaining at December 31, 2011 were as follows:

Original restructuring accrual	\$ 52.9
Cash payments during 2011	(28.6)
Restructuring accrual at December 31, 2011	\$ 24.3

The Company expects to pay \$20 million of the accrual balance remaining at December 31, 2011 within the next twelve months. This amount is included in other current liabilities on the consolidated balance sheet at December 31, 2011. The remaining accrual of \$4 million is expected to be paid in 2013 and is included in other liabilities on the consolidated balance sheet at December 31, 2011.

*European Principal Company ( EPC )*



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In May 2011, before the acquisition of Diversey, Diversey approved, subject to successful works council consultations, plans to reorganize its European operations to function under a centralized management and value chain model. After completing the reorganization in 2012, the EPC, based in the Netherlands, is expected to centrally manage Diversey's European operations. The European subsidiaries will execute sales and distribution locally, and local production companies will act as toll manufacturers on behalf of the EPC.

**Table of Contents****SEALED AIR CORPORATION AND SUBSIDIARIES****Notes to Consolidated Financial Statements (Continued)**

As part of the planning for this reorganization, in the fourth quarter of 2011, we recognized associated costs of \$4 million, which are included in marketing, administrative and development expenses in the consolidated statements of operations, and restructuring charges for termination benefits of \$1 million.

**Note 10 Other Liabilities**

The following tables detail our other current liabilities and other liabilities at December 31, 2011 and 2010:

	December 31,	
	2011	2010
Other current liabilities:		
Accrued salaries, wages and related costs	\$ 275.7	\$ 139.6
Accrued operating expenses	240.1	117.4
Income taxes payable	65.9	28.0
Accrued customer volume rebates	186.5	66.0
Accrued interest	65.8	31.3
Accrued employee benefit liability	9.8	2.6
 Total	 \$ 843.8	 \$ 384.9

	December 31,	
	2011	2010
Other liabilities:		
Accrued employee benefit liability	\$ 276.1	\$ 85.1
Other postretirement liability	68.9	2.5
Other various liabilities	272.9	55.3
 Total	 \$ 617.9	 \$ 142.9

**Note 11 Debt and Credit Facilities**

Our total debt outstanding consisted of the amounts set forth on the following table:

	December 31, 2011	December 31, 2010
Short-term borrowings	\$ 34.5	\$ 23.5
Current portion of long-term debt	1.9	6.5

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Total current debt	36.4	30.0
5.625% Senior Notes due July 2013, less unamortized discount of \$0.3 in 2011 and \$0.4 in 2010(1)	401.0	399.4
12% Senior Notes due February 2014(1)	156.3	156.0
Term Loan A Facility due October 2016, less unamortized lender fees of \$22.7 in 2011	989.9	
7.875% Senior Notes due June 2017, less unamortized discount of \$6.5 in 2011 and \$7.4 in 2010	393.5	392.6
Term Loan B Facility due October 2018, less unamortized lender fees of \$21.3, and unamortized discount of \$26.5 in 2011	1,118.8	
8.125% Senior Notes due September 2019	750.0	
8.375% Senior Notes due September 2021	750.0	
6.875% Senior Notes due July 2033, less unamortized discount of \$1.4 in 2011 and \$1.5 in 2010	448.6	448.5
Other	2.8	2.7
Total long-term debt, less current portion	5,010.9	1,399.2
Total debt	\$ 5,047.3	\$ 1,429.2

(1) Amount includes adjustments due to interest rate swaps. See Interest Rate Swaps, of Note 12, Derivatives and Hedging Activities, for further discussion.

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**Table of Contents****SEALED AIR CORPORATION AND SUBSIDIARIES****Notes to Consolidated Financial Statements (Continued)***2011 Activity**New Credit Facility*

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

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

As a result of the transactions mentioned above we recorded \$28 million of original issuance discounts on the term loans. This amount is included in the carrying amount of the respective term loans. We also recorded \$48 million of lender fees related to the transactions mentioned above. These fees are also included in the carrying amount of the respective debt instruments. In addition, we recorded \$51 million of non-lender fees related to the transactions mentioned above. These fees are included in other assets on our consolidated balance sheet.

The amortization expense of the original issuance discount, and lender and non-lender fees are calculated using the effective interest rate method over the life of the respective debt instrument. Total amortization expense in 2011 related to the debt instruments above was \$8 million and is included in interest expense on our consolidated statements of operations.

Effective October 3, 2011, we terminated our former global credit facility and European credit facility and replaced them with the Revolving Credit Facility. The Revolving Credit Facility may be used for working capital needs and general corporate purposes, including the payment of the amounts required upon effectiveness of the Settlement agreement. We did not use our former global credit facility and European credit facility in the years ended December 31, 2011 and 2010. We used our Revolving Credit Facility for a short time period in connection with the acquisition of Diversey. Interest paid for the year ended December 31, 2011 under the Revolving Credit Facility was immaterial. There were no amounts outstanding under the Revolving Credit Facility at December 31, 2011.

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

*Senior Notes*

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

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The Notes and their related guarantees were offered only to qualified institutional buyers under Rule 144A of the Securities Act of 1933, as amended (the Securities Act ), and to non-U.S. persons in transactions outside the United States under Regulation S of the Securities Act. The Notes have not been registered under the Securities Act, and, unless so registered, may not be offered or sold in the United States absent registration or an applicable exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and other applicable securities laws.

**Table of Contents****SEALED AIR CORPORATION AND SUBSIDIARIES****Notes to Consolidated Financial Statements (Continued)***2010 Activity****Partial Redemption of 12% Senior Notes due 2014***

In December 2010, we completed an early redemption of \$150 million of the outstanding \$300 million principal amount of our 12% Senior Notes due February 14, 2014. We redeemed these notes at fair value. The aggregate redemption price was \$196 million, which included the principal amount of \$150 million, a 27% premium of \$41 million and accrued interest of \$5 million. We funded the redemption with available cash. We recognized a net pre-tax loss of \$39 million, which included the premium mentioned above, less a gain of \$2 million on the termination of a related interest rate swap.

We issued these notes in February 2009 for an aggregate principal amount of \$300 million in a private offering. The notes were sold pursuant to the Note Purchase Agreement dated February 6, 2009 by and among us, subsidiaries of Berkshire Hathaway Inc. and Davis Selected Advisers, L.P. As indicated in a Schedule 13G/A dated February 22, 2012 filed with the SEC, Davis Selected Advisers, L.P. indicated that it had beneficial ownership of 14,577,029 shares of our common stock, or approximately 7.6% of the then outstanding shares of our common stock.

These notes were sold to the purchasers at a price of 100% of the principal amount. Interest on the notes is payable semiannually in arrears on February 15 and August 15 of each year, commencing on August 15, 2009. These senior notes rank equally with all of our other unsecured and unsubordinated indebtedness from time to time outstanding. The indenture imposes limitations on our operations and those of specified subsidiaries that are substantially equivalent to those contained in the indentures relating to our other outstanding senior notes and discussed below under Covenants. The indenture does not provide an option for us to redeem these notes prior to their maturity.

***Lines of Credit***

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

	December 31, 2011	December 31, 2010
Used lines of credit	\$ 34.5	\$ 23.5
Unused lines of credit	1,028.7	902.8
<b>Total available lines of credit</b>	<b>\$ 1,063.2</b>	<b>\$ 926.3</b>
Available lines of credit committed	\$ 703.9	\$ 671.2
Available lines of credit uncommitted	359.3	255.1
<b>Total available lines of credit</b>	<b>\$ 1,063.2</b>	<b>\$ 926.3</b>
Accounts receivable securitization program committed(1)	\$ 92.0	\$ 91.0

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

***Other Lines of Credit***

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Substantially all our short-term borrowings of \$35 million at December 31, 2011 and \$24 million at December 31, 2010 were outstanding under lines of credit available to several of our foreign subsidiaries. The following table details our other lines of credit.

	December 31, 2011	December 31, 2010
Available lines of credit	\$363.2	\$257.8
Unused lines of credit	328.7	234.3
Weighted average interest rate	2.6%	7.4%

### *Covenants*

Each issue of our outstanding senior notes imposes limitations on our operations and those of specified subsidiaries. The Credit Facility contains customary affirmative and negative covenants for credit facilities of this type, including limitations on our indebtedness, liens, investments, restricted payments, mergers and acquisitions, dispositions of assets, transactions with affiliates, amendment of documents and sale leasebacks, and a covenant to maintain a Consolidated Net Debt to Consolidated EBITDA (as defined in the Credit Facility). We were in compliance with the above financial covenants and limitations, as applicable, at December 31, 2011.

**Table of Contents****SEALED AIR CORPORATION AND SUBSIDIARIES****Notes to Consolidated Financial Statements (Continued)*****Debt Maturities***

Scheduled annual maturities for the next five years and thereafter of our long-term debt, including the current portion of long-term debt. This schedule excludes debt discounts, interest rate swaps and lender fees.

2012	\$ 1.9
2013	522.6
2014	313.1
2015	354.5
2016	422.5
Thereafter	3,469.4
<b>Total</b>	<b>\$ 5,084.0</b>

**Note 12 Derivatives and Hedging Activities**

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

As a large global organization, we face exposure to market risks, such as fluctuations in foreign currency exchange rates and interest rates. To manage the volatility relating to these exposures, we enter into various derivative instruments from time to time under our risk management policies. We designate derivative instruments as hedges on a transaction basis to support hedge accounting. The changes in fair value of these hedging instruments offset in part or in whole corresponding changes in the fair value or cash flows of the underlying exposures being hedged. We assess the initial and ongoing effectiveness of our hedging relationships in accordance with our policy. We do not purchase, hold or sell derivative financial instruments for trading purposes. Our practice is to terminate derivative transactions if the underlying asset or liability matures or is sold or terminated, or if we determine the underlying forecasted transaction is no longer probable of occurring.

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

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

The estimated fair value of these derivative contracts, which represents the estimated net balance that would be paid or that would be received by us in the event of their termination, based on the then current foreign currency exchange rates, was a net current asset of \$15 million at December 31, 2011 and a net current liability of \$0.3 million at December 31, 2010.

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

The primary purposes of our cash flow hedging activities are to manage the potential changes in value associated with the amounts receivable or payable on equipment and raw material purchases that are denominated in foreign currencies in order to minimize the impact of the changes in foreign currencies. We record gains and losses on foreign currency forward contracts qualifying as cash flow hedges in other comprehensive



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income to the extent that these hedges are effective and until we recognize the underlying transactions in net earnings, at which time we recognize these gains and losses in other expense, net, on our consolidated statements of operations.

Net unrealized after tax gains (losses) related to these contracts that were included in other comprehensive income for the years ended December 31, 2011 and 2010 were immaterial. The unrealized amounts in other comprehensive income will fluctuate based on changes in the fair value of open contracts during each reporting period.

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**SEALED AIR CORPORATION AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements (Continued)**

***Interest Rate Swaps***

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

At December 31, 2011, we had outstanding interest rate swaps related to our 12% Senior Notes that qualified and were designated as fair value hedges.

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

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

At December 31, 2010, we recorded a mark-to-market adjustment to record an increase of \$6 million in the carrying amount of our 12% Senior Notes and our 5.625% Senior Notes due to changes in interest rates and an offsetting increase to other assets at December 31, 2010 to record the fair value of the related interest rate swaps. There was no ineffective portion of the hedges recognized in earnings during the period.

In the fourth quarter of 2010, we terminated an interest rate swap with a notional amount of \$50 million in connection with the partial redemption of the 12% Senior Notes. As a result, we received cash of \$2 million related to this termination and recognized a gain of \$2 million which partially offset the loss on debt redemption on the consolidated statement of operations.

Under the terms of most of our outstanding interest rate swap agreements in 2011, we received interest at a fixed rate and paid interest at variable rates that were based on the one-month LIBOR. The remaining portion of our outstanding interest rate swap agreements in 2011 were based on the six-month LIBOR. As a result of our interest rate swap agreements, interest expense was reduced by \$3 million in 2011 and \$5 million in 2010.

***Other Derivative Instruments***

We may use other derivative instruments from time to time, such as foreign exchange options to manage exposure to foreign exchange rates and interest rate and currency swaps related to access to international financing transactions. These instruments can potentially limit foreign exchange exposure by swapping borrowings denominated in one currency for borrowings denominated in another currency. At December 31, 2011 and 2010, we had no foreign exchange options or interest rate and currency swap agreements outstanding.

See Note 13, Fair Value Measurements and Other Financial Instruments, for a discussion of the inputs and valuation techniques used to determine the fair value of our outstanding derivative instruments.

**Table of Contents****SEALED AIR CORPORATION AND SUBSIDIARIES****Notes to Consolidated Financial Statements (Continued)***Fair Value of Derivative Instruments*

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

	Fair Value of Asset Derivatives(1)		Fair Value of (Liability) Derivatives(1)	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
<b>Derivatives designated as hedging instruments:</b>				
Foreign currency forward contracts (cash flow hedges)	\$ 0.5	\$ 0.1	\$ (0.6)	\$
Interest rate swaps (fair value hedges)	2.1	6.0		(0.2)
<b>Derivatives not designated as hedging instruments:</b>				
Foreign currency forward contracts	18.0	0.5	(3.0)	(0.8)
<b>Total</b>	<b>\$ 20.6</b>	<b>\$ 6.6</b>	<b>\$ (3.6)</b>	<b>\$ (1.0)</b>

(1) Asset derivatives were included in other assets for the foreign currency forward contracts and for the interest rate swaps. Liability derivatives were included in other liabilities for foreign currency forward contracts and for the interest rate swaps.

The following table details the effect of our derivative instruments on our consolidated statements of operations.

	Amount of Gain (Loss) Recognized in Earnings on Derivatives(1) Year Ended December 31,	
	2011	2010
<b>Derivatives designated as hedging instruments:</b>		
Interest rate swaps	\$ 4.1	\$ 4.5
Foreign currency forward contracts(2)	0.4	0.5
<b>Derivatives not designated as hedging instruments:</b>		
Foreign currency forward contracts(2)	5.3	(6.0)
<b>Total</b>	<b>\$ 9.8</b>	<b>\$ (1.0)</b>

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- (1) Amounts recognized on the foreign currency forward contracts were included in other expense, net. Amounts recognized on the interest rate swaps were included in interest expense and do not include the gain recognized from the termination of interest rate swaps in connection with the partial redemption of the 12% Senior Notes in 2010.
  
- (2) The net gains and (losses) included above were substantially offset by the net (losses) and gains resulting from the remeasurement of the underlying foreign currency denominated items, which are included in other expense, net, on the consolidated statement of operations. The underlying foreign currency denominated items include receivables and payables and interest-bearing intercompany loans and receivables and payables. See "Foreign Currency Forward Contracts Not Designated as Hedges" above for further information.

**Table of Contents****SEALED AIR CORPORATION AND SUBSIDIARIES****Notes to Consolidated Financial Statements (Continued)****Note 13 Fair Value Measurements and Other Financial Instruments***Fair Value Measurements*

The fair value of our financial instruments, using the fair value hierarchy under U.S. GAAP detailed in Fair Value Measurements, of Note 2, Summary of Significant Accounting Policies and Recently Issued Accounting Standards, are included in the table below.

	<b>Total</b>			
<b>December 31, 2011</b>	<b>Fair Value</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Cash equivalents	\$ 148.9	\$	\$ 148.9	\$
Derivative financial instruments net asset:				
Interest rate swaps	\$ 2.1	\$	\$ 2.1	\$
Foreign currency forward contracts	\$ 14.9	\$	\$ 14.9	\$
	<b>Total</b>			
<b>December 31, 2010</b>	<b>Fair Value</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Cash equivalents	\$ 163.4	\$ 53.4	\$ 110.0	\$
Derivative financial instrument net asset:				
Interest rate swaps	\$ 5.8	\$	\$ 5.8	\$
Derivative financial instrument net liability:				
Foreign currency forward contracts	\$ 0.2	\$	\$ 0.2	\$

*Cash Equivalents*

Our cash equivalents at December 31, 2011 consisted of commercial paper and money market accounts (fair value determined using Level 2 inputs). Our cash equivalents at December 31, 2010 consisted of investments in U.S. Treasury obligations (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.

*Derivative Financial Instruments*

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

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

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

Counterparties to these foreign currency forward contracts and interest rate swaps are rated at least A- by Standard & Poor's and A3 by Moody's. None of these counterparties experienced any significant ratings downgrades for the year ended December 31, 2011. Credit ratings on some of our counterparties may change during the term of our financial instruments. We closely monitor our counterparties' credit ratings and if necessary will make any appropriate changes to our financial instruments. The fair value generally reflects the estimated amounts that we would receive or pay to terminate the contracts at the reporting date.

***Other Financial Instruments***

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

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

**Table of Contents****SEALED AIR CORPORATION AND SUBSIDIARIES****Notes to Consolidated Financial Statements (Continued)**

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

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

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

	December 31, 2011		December 31, 2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
5.625% Senior Notes due July 2013(1)	\$ 401.0	\$ 414.1	\$ 399.4	\$ 423.1
12% Senior Notes due February 2014(1)	156.3	179.8	156.0	196.5
Term Loan A Facility due October 2016(2)	989.9	989.9		
7.875% Senior Notes due June 2017	393.5	426.0	392.6	438.8
Term Loan B Facility due October 2018(2)	1,118.8	1,118.8		
8.125% Senior Notes due September 2019	750.0	824.5		
8.375% Senior Notes due September 2021	750.0	826.9		
6.875% Senior Notes due July 2033	448.6	389.3	448.5	415.1
Other foreign loans	37.8	37.4	26.2	26.0
Other domestic loans	1.4	1.3	6.5	6.5
<b>Total debt</b>	<b>\$ 5,047.3</b>	<b>\$ 5,208.0</b>	<b>\$ 1,429.2</b>	<b>\$ 1,506.0</b>

(1) The carrying value and fair value of such debt include adjustments due to interest rate swaps. See Note 12, Derivatives and Hedging Activities.

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

**Credit and Market Risk**

Financial instruments, including derivatives, expose us to counterparty credit risk for nonperformance and to market risk related to changes in interest or currency exchange rates. We manage our exposure to counterparty credit risk through specific minimum credit standards, establishing credit limits, diversification of counterparties, and procedures to monitor concentrations of credit risk.

We do not expect any of our counterparties in derivative transactions to fail to perform as it is our policy to have counterparties to these contracts that are rated at least A- by Standard & Poor's and A3 by Moody's. Nevertheless, there is a risk that our exposure to losses arising out of derivative contracts could be material if the counterparties to these agreements fail to perform their obligations. We will replace counterparties if a credit downgrade is deemed to increase our risk to unacceptable levels.

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We regularly monitor the impact of market risk on the fair value and cash flows of our derivative and other financial instruments considering reasonably possible changes in interest and currency exchange rates and restrict the use of derivative financial instruments to hedging activities. We do not use derivative financial instruments for trading or other speculative purposes and do not use leveraged derivative financial instruments.

We continually monitor the creditworthiness of our diverse base of customers to which we grant credit terms in the normal course of business and generally do not require collateral. We consider the concentrations of credit risk associated with our trade accounts receivable to be commercially reasonable and believe that such concentrations do not leave us vulnerable to significant risks of near-term severe adverse impacts. The terms and conditions of our credit sales are designed to mitigate concentrations of credit risk with any single customer. Our sales are not materially dependent on a single customer or a small group of customers.

### **Note 14 Profit Sharing, Retirement Savings Plans and Defined Benefit Pension Plans**

#### *Profit Sharing and Retirement Savings Plans*

Legacy Sealed Air has a qualified non-contributory profit sharing plan covering most of its U.S. employees. Contributions to this plan, which are made at the discretion of our Board of Directors, may be made in cash, shares of our common stock, or in a combination of cash



**Table of Contents****SEALED AIR CORPORATION AND SUBSIDIARIES****Notes to Consolidated Financial Statements (Continued)**

and shares of our common stock. We also maintain qualified contributory retirement savings plans in which most of our U.S. employees are eligible to participate. The qualified contributory retirement savings plans generally provide for our contributions in cash based upon the amount contributed to the plans by the participants.

Our contributions to or provisions for the profit sharing plan and retirement savings plans are charged to operations and amounted to \$32 million in 2011, \$27 million in 2010 and \$38 million in 2009. No shares of our common stock were contributed in 2011, while 0.3 million shares were contributed in 2010 as part of our contribution to the profit sharing plan. These shares were issued out of treasury stock.

We have various international defined contribution benefit plans which cover certain employees. We have expanded use of these plans in select countries where they have been used to supplement or replace defined benefit plans.

**Defined Benefit Pension Plans**

We recognize the funded status of each defined pension benefit plan measured as the difference between the fair value of plan assets and the projected benefit obligations of the employee benefit plans on the consolidated balance sheet, with a corresponding adjustment to accumulated other comprehensive loss, net of taxes. Each overfunded plan is recognized as an asset and each underfunded plan is recognized as a liability on our consolidated balance sheets. Subsequent changes in the funded status are recognized in unrecognized pension items, a component of accumulated other comprehensive loss, that is included in total stockholders' equity. The amount of unamortized pension items is recorded net of tax. The measurement date used by us to determine projected benefit obligations and plan assets is December 31.

**United States**

A number of our U.S. employees, including some employees who are covered by collective bargaining agreements, participate in defined benefit pension plans. The following table presents our funded status for 2011 and 2010 for our U.S. pension plans. The measurement date for the defined benefit pension plans presented below is December 31 of each period.

	2011	2010
<b>Change in benefit obligation:</b>		
Projected benefit obligation at beginning of period	\$ 54.8	\$ 55.1
Service cost	1.1	1.0
Interest cost	4.8	2.8
Actuarial (gain) loss	10.2	(1.9)
Benefits paid	(9.3)	(2.2)
Acquisition of Diversey	150.5	
Projected benefit obligation at end of period	\$ 212.1	\$ 54.8
<b>Change in plan assets:</b>		
Fair value of plan assets at beginning of period	\$ 40.8	\$ 37.9
Actual gain on plan assets	7.5	3.9
Employer contributions	4.4	1.2
Benefits paid	(9.3)	(2.2)
Acquisition of Diversey	127.8	
Fair value of plan assets at end of period	171.2	40.8

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Underfunded status at end of year	\$ (40.9)	\$ (14.0)
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Amounts included on the consolidated balance sheets consisted of other liabilities of \$41 million in 2011 and \$14.0 million in 2010.

**Table of Contents****SEALED AIR CORPORATION AND SUBSIDIARIES****Notes to Consolidated Financial Statements (Continued)**

The following table shows the components of our net periodic benefit cost for the three years ended December 31, 2011, for our U.S. pension plans charged to operations.

	2011	2010	2009
Components of net periodic benefit cost:			
Service cost	\$ 1.1	\$ 1.0	\$ 1.5
Interest cost	4.8	2.8	3.1
Expected return on plan assets	(5.1)	(2.7)	(2.6)
Amortization of net prior service cost	0.2	0.3	0.5
Amortization of net actuarial loss	1.3	1.2	1.4
Net periodic benefit cost	\$ 2.3	\$ 2.6	\$ 3.9

The amounts in accumulated other comprehensive loss, net of taxes, that have not yet been recognized as components of net periodic benefit cost at December 31, 2011, are:

Unrecognized prior service costs	\$ 0.5
Unrecognized net actuarial loss	23.7
<b>Total</b>	<b>\$ 24.2</b>

Changes in plan assets and benefit obligations recognized in other comprehensive loss in 2011 were as follows:

Current year actuarial gain	\$ 7.8
Amortization of actuarial loss	(1.3)
Amortization of prior service cost	(0.2)
Total recognized in other comprehensive loss	\$ 6.3

The amounts in accumulated other comprehensive loss that are expected to be recognized as components of net periodic benefit cost during 2012 are as follows:

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Unrecognized prior service costs	\$	0.2
Unrecognized net actuarial loss		2.0
<b>Total</b>	<b>\$</b>	<b>2.2</b>

Information for plans with accumulated benefit obligations in excess of plan assets as of December 31, 2011 is as follows:

Accumulated benefit obligation	\$	207.5
Fair value of plan assets		171.2
<i>Actuarial Assumptions</i>		

Weighted average assumptions used to determine benefit obligations at December 31, 2011 and 2010 were as follows:

	<b>2011</b>	<b>2010</b>
Discount rate	4.6%	5.4%
Rate of compensation increase	3.5	3.5

Weighted average assumptions used to determine net periodic benefit cost for the three years ended December 31, 2011 were as follows:

	<b>2011</b>	<b>2010</b>	<b>2009</b>
Discount rate	4.9%	5.5%	6.0%
Expected long-term rate of return	6.7	7.3	8.0
Rate of compensation increase	3.5	3.5	3.5

**Table of Contents****SEALED AIR CORPORATION AND SUBSIDIARIES****Notes to Consolidated Financial Statements (Continued)***Estimated Future Benefit Payments*

We expect the following estimated future benefit payments, which reflect expected future service as appropriate, to be paid in the years indicated below:

<b>Year</b>	<b>Amount</b>
2012	\$ 11.4
2013	12.8
2014	11.7
2015	12.4
2016	14.7
2017 - 2021	71.7

We expect to contribute approximately \$4 million of cash to our U.S. defined benefit plans in 2012.

*Plan Assets*

We review the expected long-term rate of return on plan assets annually, taking into consideration our asset allocation, historical returns, and the current economic environment.

Our long-term objectives for plan investments are to ensure that (a) there is an adequate level of assets to support benefit obligations to participants over the life of the plans, (b) there is sufficient liquidity in plan assets to cover current benefit obligations, and (c) there is a high level of investment return consistent with a prudent level of investment risk. The investment strategy is focused on a long-term total return in excess of a pure fixed income strategy with short-term volatility less than that of a pure equity strategy. To accomplish this objective, we cause assets to be invested in a balanced and diversified mix of equity and fixed income investments. The target asset allocation will typically be 40-50% in equity securities, with a maximum equity allocation of 70%, and 50-60% in fixed income securities, with a minimum fixed income allocation of 30% including cash.

The fair values of our U.S. pension plan assets, by asset category and by the level of fair values at December 31, 2011, are as follows:

<b>Asset Category</b>	<b>Total</b>			
	<b>Fair Value</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Cash and cash equivalents(1)	\$ 4.2	\$	\$ 4.2	\$
Fixed income funds (2)	96.4		96.4	
Equity funds (3)	64.8		64.8	
Other (4)	5.8		0.5	5.3
<b>Total</b>	<b>\$ 171.2</b>	<b>\$</b>	<b>\$ 165.9</b>	<b>\$ 5.3</b>

- (1) Short-term investment fund that invests in a collective trust that holds short-term highly liquid investments with principal preservation and daily liquidity as its primary objectives. Investments are primarily comprised of certificates of deposit, U.S. government treasuries, commercial paper, and time deposits.

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- (2) A diversified portfolio of publicly traded government bonds, corporate bonds, and mortgage-backed securities. There are no restrictions on these investments and they are valued at the net asset value of the shares held at year end, which are supported by the value of the underlying securities and by the unit prices of actual purchase and sale transactions occurring as of or close to the financial statement date.
- (3) A diversified portfolio of publicly traded domestic and international common stock. There are no restrictions on these investments, and they are valued at the net asset value of the shares held at year end, which are supported by the values of the underlying securities and by the unit prices of actual purchase and sale transactions occurring as of or close to the financial statement date.
- (4) More than 90% is invested in real estate funds with less than \$0.5 million invested in alternative investments such as private equity funds, hedge funds and commodities. The level 3 amount were from Diversey s plans.

**Table of Contents****SEALED AIR CORPORATION AND SUBSIDIARIES****Notes to Consolidated Financial Statements (Continued)****International**

Some of our non-U.S. employees participate in defined benefit pension plans in their respective countries. The following table presents our funded status for 2011 and 2010 for our non-U.S. pension plans. The measurement date for the defined benefit pension plans presented below is December 31 of each period.

	2011	2010
<b>Change in benefit obligation:</b>		
Projected benefit obligation at beginning of period	\$ 285.9	\$ 289.7
Service cost	8.6	5.5
Interest cost	23.1	15.5
Actuarial (gain) loss	24.3	(9.0)
Settlement/curtailment	(6.9)	(2.3)
Benefits paid	(20.7)	(13.0)
Employee contributions	2.3	1.4
Other	3.0	(1.3)
Foreign exchange impact	(4.8)	(0.6)
Acquisition of Diversey	614.0	
Projected benefit obligation at end of period	\$ 928.8	\$ 285.9
<b>Change in plan assets:</b>		
Fair value of plan assets at beginning of period	\$ 218.3	\$ 204.0
Actual gain on plan assets	31.9	15.8
Employer contributions	23.5	9.3
Employee contributions	2.3	1.4
Benefits paid	(20.7)	(13.0)
Assets transferred to defined contribution plan		
Settlement/curtailment	(7.0)	(0.8)
Other	4.1	(1.9)
Foreign exchange impact	(2.8)	3.5
Acquisition of Diversey	501.2	
Fair value of plan assets at end of period	750.8	218.3
Underfunded status at end of year	\$ (178.0)	\$ (67.6)

Amounts included on the consolidated balance sheets consisted of:

2011                      2010

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Other assets	\$ 62.3	\$ 6.1
Other current liabilities	(5.1)	(2.6)
Other liabilities	(235.2)	(71.1)
Net amount recognized	\$ (178.0)	\$ (67.6)

The following table shows the components of our net periodic benefit cost for the three years ended December 31, 2011 for our non-U.S. pension plans charged to operations.

	2011	2010	2009
Components of net periodic benefit cost:			
Service cost	\$ 8.6	\$ 5.5	\$ 6.2
Interest cost	23.1	15.5	14.4
Expected return on plan assets	(21.8)	(13.0)	(10.9)
Amortization of net prior service cost	0.1	0.1	0.1
Amortization of net actuarial loss	4.2	7.8	6.9
Net periodic benefit cost	\$ 14.2	\$ 15.9	\$ 16.7

The amounts in accumulated other comprehensive loss, net of taxes, that have not yet been recognized as components of net periodic benefit cost at December 31, 2011 are:

Unrecognized prior service costs	\$ 0.5
Unrecognized net actuarial loss	62.1
Total	\$ 62.6



**Table of Contents****SEALED AIR CORPORATION AND SUBSIDIARIES****Notes to Consolidated Financial Statements (Continued)**

Changes in plan assets and benefit obligations recognized in other comprehensive loss in 2011 were as follows:

Current year actuarial loss	\$ 14.2
Amortization of actuarial loss	(4.2)
Amortization of prior service cost	(0.1)
Settlement/curtailment loss	(2.6)
Other	(1.1)
Effects of changes in foreign currency exchange rates	(0.2)
<b>Total recognized in other comprehensive loss</b>	<b>\$ 6.0</b>

The amounts in accumulated other comprehensive loss that are expected to be recognized as components of net periodic benefit cost during 2012 are as follows:

Unrecognized prior service costs	\$	
Unrecognized net actuarial loss		4.9
<b>Total</b>	<b>\$</b>	<b>4.9</b>

Information for plans with accumulated benefit obligations in excess of plan assets as of December 31, 2011 is as follows:

Accumulated benefit obligation	\$ 504.9
Fair value of plan assets	299.8
<i>Actuarial Assumptions</i>	

Weighted average assumptions used to determine benefit obligations at December 31, 2011 and 2010 were as follows:

	<b>2011</b>	<b>2010</b>
Discount rate	4.3%	5.7%
Rate of compensation increase	2.8%	3.5%

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Weighted average assumptions used to determine net periodic benefit cost for the three years ended December 31, 2011 were as follows:

	2011	2010	2009
Discount rate	4.6%	5.6%	6.0%
Expected long-term rate of return	5.8	6.8	6.6
Rate of compensation increase	2.9	3.9	3.6
<i>Estimated Future Benefit Payments</i>			

We expect the following estimated future benefit payments, which reflect expected future service as appropriate, to be paid in the years indicated:

Year	Amount
2012	\$ 40.6
2013	43.5
2014	39.3
2015	42.8
2016	45.0
2017 - 2021	\$ 230.3

We expect to contribute approximately \$35 million of cash to our non-U.S. defined benefit plans in 2012.

### *Plan Assets*

We review the expected long-term rate of return on plan assets annually, taking into consideration our asset allocation, historical returns, and the current economic environment.

**Table of Contents****SEALED AIR CORPORATION AND SUBSIDIARIES****Notes to Consolidated Financial Statements (Continued)**

Our long-term objectives for plan investments are to ensure that (a) there is an adequate level of assets to support benefit obligations to participants over the life of the plans, (b) there is sufficient liquidity in plan assets to cover current benefit obligations, and (c) there is a high level of investment return consistent with a prudent level of investment risk. The investment strategy is focused on a long-term total return in excess of a pure fixed income strategy with short-term volatility less than that of a pure equity strategy. To accomplish this objective, we cause assets to be invested primarily in a diversified mix of equity and fixed income investments.

The fair values of our non-U.S. pension plan assets, by asset category and by the level of fair values at December 31, 2011, are as follows:

Asset Category	Total			
	Fair Value	Level 1	Level 2	Level 3
Cash and cash equivalents(1)	\$ 15.3	\$ 8.2	\$ 7.1	\$
Fixed income funds(2)	383.0		383.0	
Equity funds(3)	257.4		257.4	
Insurance asset(4)	15.4			15.4
Other (5)	79.7		43.4	36.3
Total	\$ 750.8	\$ 8.2	\$ 690.9	\$ 51.7

- (1) Short-term investment fund that invests in a collective trust that holds short-term highly liquid investments with principal preservation and daily liquidity as its primary objectives. Investments are primarily comprised of certificates of deposit, government securities, commercial paper, and time deposits.
- (2) Fixed income funds that invest in a diversified portfolio primarily consisting of publicly traded government bonds, corporate bonds and mortgage-backed securities. There are no restrictions on these investments, and they are valued at the net asset value of shares held at year end.
- (3) Equity funds that invest in a diversified portfolio of publicly traded domestic and international common stock, with an emphasis in European equities. There are no restrictions on these investments, and they are valued at the net asset value of shares held at year end.
- (4) Represents a guaranteed insurance contract for one of our European plans. This plan asset includes company and employee contributions and accumulated interest income at a guaranteed stated interest rate and provides for benefit payments and plan expenses.
- (5) The majority of these assets are invested in real estate funds in Diversey's plans.

The following table shows the activity of our plan assets, which are measured at fair value using Level 3 inputs.

**Insurance  
Asset**

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Balance at December 31, 2010	\$ 14.6
Employer contributions	1.0
Employee contributions	0.4
Actual return on asset	(0.3)
Benefits and expenses paid	(0.2)
Foreign exchange impact	(0.1)
 Balance at December 31, 2011	 \$ 15.4

**Note 15 Other Post-Employment Benefits and Other Employee Benefit Plans**

*Other Postretirement Benefit Plans Legacy Diversey*

In addition to providing pension benefits, we provide for a portion of healthcare, dental, vision and life insurance benefits for certain retired legacy Diversey employees, primarily in North America. Covered employees retiring on or after attaining age 50 and who have rendered at least ten years of service are entitled to post-retirement healthcare, dental and life insurance benefits. These benefits are subject to deductibles, co-payment provisions and other limitations.

**Table of Contents****SEALED AIR CORPORATION AND SUBSIDIARIES****Notes to Consolidated Financial Statements (Continued)**

Contributions made by us, net of Medicare Part D subsidies received in the U.S., are reported below as benefits paid. We may change the benefits at any time. We have elected to amortize the transition obligation over a 20-year period. The status of these plans, including a reconciliation of benefit obligations, a reconciliation of plan assets and the funded status of the plans, follows:

	<b>Year Ended December 31, 2011</b>
Change in benefit obligations:	
Benefit obligation at beginning of period	\$
Service cost	0.3
Interest cost	0.8
Plan participants' contributions	
Actuarial loss	3.9
Benefits paid	(1.2)
Loss due to exchange rate movements	0.1
Acquisition of Diversy	81.2
Plan Amendments	(14.0)
Benefit obligation at end of period	\$71.1
Change in plan assets:	
Fair value of plan assets at beginning of period	\$
Employer contribution	1.2
Plan participants' contribution	
Benefits paid	(1.2)
Fair value of plan assets at end of period	\$
Net amount recognized:	
Funded status	\$(71.1)
Net amount recognized in consolidated balance	
sheets consists of:	
Current liability	\$(4.7)
Noncurrent liability	(66.4)
Net amount recognized	\$(71.1)

Amounts recognized in accumulated other

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comprehensive income consist of:

Net actuarial loss	\$3.9
Prior service credit	(13.9)
Total	\$(10.0)

**Table of Contents****SEALED AIR CORPORATION AND SUBSIDIARIES****Notes to Consolidated Financial Statements (Continued)**

The accumulated post-retirement benefit obligations were determined using a weighted-average discount rate of 4.6% at December 31, 2011. The components of net periodic benefit cost for the three months ended December 31, 2011:

	<b>Three Months Ended December 31, 2011</b>
Service cost	\$0.3
Interest cost	0.8
Amortization of net loss	
Amortization of prior service credit	(0.1)
Curtailments, settlements and special termination benefits	
Net periodic benefit cost	\$1.0

The amounts in accumulated other comprehensive income as of December 31, 2011 that are expected to be recognized as components of net periodic benefit cost during the next fiscal year are as follows:

Actuarial (gain) loss	\$
Prior service (credit) cost	(0.9)
Transition (asset) obligation	
<b><i>Other Postretirement Benefit Plans Legacy Sealed Air</i></b>	

We generally do not offer our employees postretirement benefits other than programs that are required by the foreign countries in which we operate. In the U.S., we offer a postretirement healthcare program that is fully funded by the participating retired employees, except as noted below. These programs are not material to our consolidated financial condition and results of operations.

Since March 31, 1998, we have offered to some U.S. employees of the Cryovac packaging business a fixed subsidy applicable to participation in our U.S. postretirement healthcare program. The accrued benefit liability associated with these subsidies amounted to \$3 million at December 31, 2011 and 2010. The net periodic postretirement expense and credit components, together with other remaining postretirement healthcare plans, are not material to our consolidated financial statements.

***Healthcare Cost Trend Rates***

For the year ended December 31, 2011, healthcare cost trend rates were assumed to be 4% for international plans, 8% for U.S. plans in 2012 and decreasing to 5% by 2018, and 9% for Canadian plans in 2012 decreasing to 5% by 2018. The assumed healthcare cost trend rate has an effect

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on the amounts reported for the healthcare plans. A one percentage point change on assumed healthcare cost trend rates would have the following effect for the year ended December 31, 2011:

	<u>1%</u> <b>Increase</b>	<u>1%</u> <b>Decrease</b>
Effect on total of service and interest cost components	\$0.1	\$(0.1)
Effect on post-retirement benefit obligation	2.7	(2.9)

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



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

Year	Amount
2012	\$ 4.8
2013	4.8
2014	5.0
2015	4.8
2016	4.6
2017 - 2021	\$ 25.3

**Other Employee Benefit Plans***Discretionary Cash Profit-Sharing Plan - Legacy Diversey*

The legacy Diversey portion of the Company has a discretionary cash profit-sharing plan covering certain employees. Under the plan, we had no expense during the three months ended December 31, 2011.

**Note 16 Income Taxes**

The components of earnings (loss) before income tax provision were as follows:

	2011	2010	2009
Domestic	\$ (73.6)	\$ 84.0	\$ 127.3
Foreign	289.7	259.4	202.6
<b>Total</b>	<b>\$ 216.1</b>	<b>\$ 343.4</b>	<b>\$ 329.9</b>

The components of the income tax provision were as follows:

	2011	2010	2009
Current tax expense:			
Federal	\$ 37.0	\$ 22.1	\$ 35.8
State and local	5.9	5.6	7.1
Foreign	79.7	63.1	59.3
<b>Total current</b>	<b>122.6</b>	<b>90.8</b>	<b>102.2</b>

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Deferred tax (benefit), expense:			
Federal	(54.4)	2.1	(4.6)
State and local	(5.3)	(2.1)	(0.5)
Foreign	4.1	(3.3)	(11.5)
Total deferred tax benefit	(55.6)	(3.3)	(16.6)
Total provision	\$ 67.0	\$ 87.5	\$ 85.6

**Table of Contents****SEALED AIR CORPORATION AND SUBSIDIARIES****Notes to Consolidated Financial Statements (Continued)**

Deferred tax assets (liabilities) consist of the following:

	<b>December 31,</b>	
	<b>2011</b>	<b>2010</b>
Settlement agreement and related accrued interest(1)	\$ 383.8	\$ 367.9
Restructuring reserves	10.8	
Accruals not yet deductible for tax purposes	72.5	17.0
Net operating loss carry forwards	124.5	33.9
Foreign, federal and state credits and investment tax allowances	130.2	9.2
Employee benefit items	145.0	57.2
Other	1.0	4.2
Gross deferred tax assets	867.8	489.4
Valuation allowance	(219.1)	(43.1)
Total deferred tax assets	648.7	446.3
Depreciation and amortization	(73.4)	(48.2)
Unremitted foreign earnings	(149.8)	(47.1)
Inventories		(4.7)
Intangibles	(599.0)	(20.2)
Other	(14.9)	(13.3)
Total deferred tax liabilities	(837.1)	(133.5)
Net deferred tax (liabilities) assets	\$ (188.4)	\$ 312.8

(1) This deferred tax asset reflects the cash portion of the Settlement agreement and related accrued interest and the fair market value of 18 million shares of our common stock at a post-split price of \$17.86 per share based on the price when the Settlement agreement was reached in 2002. However, the value of this deferred tax asset will depend on the price of our common stock at the time it is issued under the Settlement agreement. See Note 17, Commitments and Contingencies, for further discussion.

In assessing the need for a valuation allowance, we estimate future taxable earnings, with consideration for the feasibility of ongoing planning strategies and the realizability of tax benefit carry forwards and past operating results, to determine which deferred tax assets are more likely than not to be realized in the future. Changes to tax laws, statutory tax rates and future taxable earnings can have an impact on valuation allowances related to deferred tax assets.

The increase in deferred tax assets is primarily attributable to the acquisition of Diversey. Net operating loss carry forwards relate to foreign net operating loss carry forwards of various Diversey foreign subsidiaries and Diversey state net operating loss carry forwards. The increase in tax credits and investment tax allowances primarily relate to Diversey tax credits in the U.S. and at various foreign subsidiaries. Substantially all of the increase in employee benefit items relate to non-U.S. pension obligations as well as equity and other deferred compensation due to current and former Diversey employees.

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Based upon anticipated future results, we have concluded that it is more likely than not that we will realize the \$868 million balance of deferred tax assets at December 31, 2011, net of the valuation allowance of \$219 million. The valuation allowance primarily relates to the uncertainty of utilizing the following deferred tax assets: \$409 million of foreign net operating loss carryforwards, or \$110 million on a tax-effected basis, \$104 million of foreign and federal tax credits, \$908 million of state net operating loss carry forwards, or \$42 million on a tax-effected basis, and \$13 million of state tax credits. For the year ended December 31, 2011, the valuation allowance increased by \$176 million due to \$162 million related to the acquisition of Diversey, \$3 million that was charged to the income tax provision and \$11 million resulting from a net increase to deferred tax assets with a 100% valuation allowance. For the year ended December 31, 2010, the valuation allowance decreased by \$4 million, which reduced the income tax provision. For the year ended December 31, 2009, the valuation allowance increased by \$7 million, which increased the income tax provision.

As of December 31, 2011, we have foreign net operating loss carryforwards totaling \$409 million that expire during the following calendar years (in millions): 2012 - \$2; 2013 - \$20; 2014 - \$7; 2015 - \$22; 2016 - \$15; 2017 and beyond - \$84; and no expiration - \$259. The state net operating loss carryforwards totaling \$908 million, expire in various amounts over one to 20 years.

As of December 31, 2011, we have foreign and federal foreign tax credit carryforwards and investment allowances totaling \$108 million that expire during the following calendar years (in millions): 2015 - \$8; 2016 - \$20; 2017 and beyond - \$60; and no expiration - \$20. The state tax credit carryforwards, totaling \$13 million, expire in various amounts over one to 20 years.

Net deferred income taxes charged (credited) to stockholders' equity were \$6 million in 2011, \$(5) million in 2010 and \$4 million in 2009.

The U.S. federal statutory corporate tax rate reconciles to our effective income tax rate as follows:

	2011	2010	2009
Statutory U.S. federal tax rate	35.0%	35.0%	35.0%
State income taxes, net of federal tax benefit	0.3	0.6	1.5
Foreign earnings taxed at lower effective rates	(6.3)	(9.2)	(8.7)
Nondeductible acquisition costs	2.5		
U.S. domestic manufacturing deduction	(2.4)	(1.1)	(1.0)
Net change in unrecognized tax benefits	0.4		1.7
Other	1.5	0.2	(2.6)
Effective income tax rate	31.0%	25.5%	25.9%

**Table of Contents****SEALED AIR CORPORATION AND SUBSIDIARIES****Notes to Consolidated Financial Statements (Continued)*****Unrecognized tax benefits***

We are providing the following disclosures related to our unrecognized tax benefits and the effect on our effective income tax rate if recognized.

	<b>Gross</b>	<b>Net</b>
Unrecognized tax benefits at January 1, 2011	\$ 72.5	\$ 64.7
Additions relating to the acquisition of Diversey (included in other liabilities)	182.7	182.7
Additions for tax positions of prior years	2.7	2.7
Reductions for tax positions of prior years	(3.4)	(3.4)
<b>Unrecognized tax benefits at December 31, 2011</b>	<b>\$ 254.5</b>	<b>\$ 246.7</b>

If the unrecognized tax benefits at December 31, 2011 were recognized, our income tax provision would decrease by \$201 million, resulting in a substantially lower effective tax rate. As described in Note 17, Commitments and Contingencies, in 2011 the Bankruptcy Court has taken various actions with respect to the PI Settlement Plan. Although we do not know whether or when a final plan of reorganization will become effective, it is reasonably possible that within the next 12 months our unrecognized tax benefit position will decrease because of recognizing a portion of the unrecognized tax benefits relating to the Settlement agreement.

We recognize interest and penalties related to unrecognized tax benefits in income tax provision on the consolidated statements of operations. We had a liability of approximately \$4 million (of which \$2 million represents penalties) at January 1, 2011 and a liability of \$32 million (of which \$15 million represents penalties) at December 31, 2011 for the payment of interest and penalties (before any tax benefit). In 2011, interest and penalties of \$1.5 million (gross) (\$1.5 million (net)) were recognized in connection with the related tax accruals for uncertainties in prior years. In addition, interest and penalties of \$0.5 million (gross) (\$0.5 million (net)) were reversed in connection with the related tax accruals for uncertainties in prior years.

***Income Tax Returns***

The Internal Revenue Service (the Service) has concluded its examination of the legacy Sealed Air U.S. federal income tax returns for all years through 2006. Examination of legacy Diversey U.S. federal income tax returns has also been substantially completed through 2006, but the Service could challenge the Diversey U.S. income tax losses carried forward to subsequent periods.

State income tax returns are generally subject to examination for a period of three to five years after their filing date. We have various state income tax returns in the process of examination.

Income tax returns in foreign jurisdictions have statutes of limitations generally ranging from three to five years after their filing date and except where still under examination or where we are litigating, we have generally concluded all other income tax matters globally for years through 2005. Our foreign income tax returns are under examination in various jurisdictions in which we conduct business and we are litigating certain issues in several jurisdictions. The statute of limitations for tax assessments will expire in many jurisdictions during 2012. It is reasonably possible there could be a reduction of approximately \$20 million in unrecognized tax benefits during 2012.

**Note 17 Commitments and Contingencies*****Cryovac Transaction Commitments and Contingencies***

*Settlement Agreement and Related Costs*

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

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**SEALED AIR CORPORATION AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements (Continued)**

terms of the agreement in principle. For a description of the Cryovac transaction, asbestos-related claims and the parties involved, see "Cryovac Transaction Discussion of Cryovac Transaction Commitments and Contingencies, Fresenius Claims, Canadian Claims and Additional Matters Related to the Cryovac Transaction" below.

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

a charge of \$513 million covering a cash payment that we will be required to make under the Settlement agreement upon the effectiveness of an appropriate plan of reorganization in the Grace bankruptcy. Because we cannot predict when a plan of reorganization may become effective, we recorded this liability as a current liability on our consolidated balance sheet at December 31, 2002. Under the terms of the Settlement agreement, this amount accrues interest at a 5.5% annual rate from December 21, 2002 to the date of payment. We have recorded this interest in interest expense on our consolidated statements of operations and in Settlement agreement and related accrued interest on our consolidated balance sheets. The accrued interest, which is compounded annually, was \$319 million at December 31, 2011 and \$275 million at December 31, 2010.

a non-cash charge of \$322 million representing the fair market value at the date we recorded the charge of nine million shares of Sealed Air common stock that we expect to issue under the Settlement agreement upon the effectiveness of an appropriate plan of reorganization in the Grace bankruptcy, which was adjusted to eighteen million shares due to our two-for-one stock split in March 2007. These shares are subject to customary anti-dilution provisions that adjust for the effects of stock splits, stock dividends and other events affecting our common stock. The fair market value of our common stock was \$35.72 per pre-split share (\$17.86 post-split) as of the close of business on December 5, 2002. We recorded this amount on our consolidated balance sheet at December 31, 2002 as follows: \$0.9 million representing the aggregate par value of these shares of common stock reserved for issuance related to the Settlement agreement, and the remaining \$321 million, representing the excess of the aggregate fair market value over the aggregate par value of these common shares, in additional paid-in capital. The diluted net earnings per common share calculations for the years ended December 31, 2011 and 2010 reflect the eighteen million shares of common stock that we have reserved for issuance related to the Settlement agreement.

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

Settlement agreement and related costs reflected legal and related fees for Settlement-related matters of \$1 million in 2011 and in 2010 and \$2 million in 2009, which are included in other expense, net, on our consolidated statements of operations.

*Cryovac Transaction*

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

*Discussion of Cryovac Transaction Commitments and Contingencies*

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

Since the beginning of 2000, we have been served with a number of lawsuits alleging that, as a result of the Cryovac transaction, we are responsible for alleged asbestos liabilities of Grace and its subsidiaries, some of which were also named as co-defendants in some of these actions. Among these lawsuits are several purported class actions and a number of personal injury lawsuits. Some plaintiffs seek damages for personal injury or wrongful death, while others seek medical monitoring, environmental remediation or



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**Notes to Consolidated Financial Statements (Continued)**

remedies related to an attic insulation product. Neither the former Sealed Air Corporation nor Cryovac, Inc. ever produced or sold any of the asbestos-containing materials that are the subjects of these cases. None of these cases has reached resolution through judgment, settlement or otherwise. As discussed below, Grace's Chapter 11 bankruptcy proceeding has stayed all of these cases.

While the allegations in these actions directed to us vary, these actions all appear to allege that the transfer of the Cryovac business as part of the Cryovac transaction was a fraudulent transfer or gave rise to successor liability. Under a theory of successor liability, plaintiffs with claims against Grace and its subsidiaries may attempt to hold us liable for liabilities that arose with respect to activities conducted prior to the Cryovac transaction by W. R. Grace & Co. Conn. or other Grace subsidiaries. A transfer would be a fraudulent transfer if the transferor received less than reasonably equivalent value and the transferor was insolvent or was rendered insolvent by the transfer, was engaged or was about to engage in a business for which its assets constitute unreasonably small capital, or intended to incur or believed that it would incur debts beyond its ability to pay as they mature. A transfer may also be fraudulent if it was made with actual intent to hinder, delay or defraud creditors. If a court found any transfers in connection with the Cryovac transaction to be fraudulent transfers, we could be required to return the property or its value to the transferor or could be required to fund liabilities of Grace or its subsidiaries for the benefit of their creditors, including asbestos claimants. We have reached an agreement in principle and subsequently signed the Settlement agreement, described below, that is expected to resolve all these claims.

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

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

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

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

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

With the fraudulent transfer trial set to commence on December 9, 2002, on November 27, 2002, we reached an agreement in principle with the Committees prosecuting the claims against the Company and Cryovac, Inc., to resolve all current and future asbestos-related claims arising from

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the Cryovac transaction. On the same day, the court entered an order confirming that the parties had reached an amicable resolution of the disputes among the parties and that counsel for us and the Committees had agreed and bound the parties to the terms of the agreement in principle. As discussed above, the agreement in principle called for payment of nine million shares of our common stock and \$513 million in cash, plus interest on the cash payment at a 5.5% annual rate starting on December 21, 2002 and ending on the effective date of an appropriate plan of reorganization in the Grace bankruptcy, when we are required to make the payment. These shares are subject to customary anti-dilution provisions that adjust for the effects of stock splits, stock dividends and other events affecting our common stock, and as a result, the number of shares of our common stock that we will

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issue increased to eighteen million shares upon the two-for-one stock split in March 2007. On December 3, 2002, the Company's Board of Directors approved the agreement in principle. We received notice that both of the Committees had approved the agreement in principle as of December 5, 2002. The parties subsequently signed the definitive Settlement agreement as of November 10, 2003 consistent with the terms of the agreement in principle. On November 26, 2003, the parties jointly presented the definitive Settlement agreement to the District Court for approval. On Grace's motion to the District Court, that court transferred the motion to approve the Settlement agreement to the Bankruptcy Court for disposition.

On June 27, 2005, the Bankruptcy Court signed an order approving the Settlement agreement. Although Grace is not a party to the Settlement agreement, under the terms of the order, Grace is directed to comply with the Settlement agreement subject to limited exceptions. The order also provides that the Court will retain jurisdiction over any dispute involving the interpretation or enforcement of the terms and provisions of the Settlement agreement. We expect that the Settlement agreement will become effective upon Grace's emergence from bankruptcy pursuant to a plan of reorganization that is consistent with the terms of the Settlement agreement.

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

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

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

In January 2005, Grace filed a proposed plan of reorganization (the "Grace Plan") with the Bankruptcy Court. There were a number of objections filed. The Official Committee of Asbestos Personal Injury Claimants (the "ACC") and the Asbestos PI Future Claimants' Representative (the "FCR") filed their proposed plan of reorganization (the "Claimants' Plan") with the Bankruptcy Court in November 2007. On April 7, 2008, Grace issued a press release announcing that Grace, the ACC, the FCR, and the Official Committee of Equity Security Holders (the "Equity Committee") had reached an agreement in principle to settle all present and future asbestos-related personal injury claims against Grace (the "PI Settlement") and disclosed a term sheet outlining certain terms of the PI Settlement and for a contemplated plan of reorganization that would incorporate the PI Settlement (as filed and amended from time to time, the "PI Settlement Plan").

On September 19, 2008, Grace, the ACC, the FCR, and the Equity Committee filed, as co-proponents, the PI Settlement Plan and several exhibits and associated documents, including a disclosure statement (as filed and amended from time to time, the "PI Settlement Disclosure Statement"), with the Bankruptcy Court. Amended versions of the PI Settlement Plan and the PI Settlement Disclosure Statement have been filed with the Bankruptcy Court from time to time. The PI Settlement Plan, which supersedes each of the Grace Plan and the Claimants' Plan, remains pending and has not become effective. The committee representing general unsecured creditors and the Official Committee of Asbestos Property Damage Claimants are not co-proponents of the PI Settlement Plan. As filed, the PI Settlement Plan would provide for the

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establishment of two asbestos trusts under Section 524(g) of the United States Bankruptcy Code to which present and future asbestos-related claims would be channeled. The PI Settlement Plan also contemplates that the terms of the Settlement agreement will be incorporated into the PI Settlement Plan and that we will pay the amount contemplated by the Settlement agreement. On March 9, 2009, the Bankruptcy Court entered an order approving the PI Settlement Disclosure Statement (the "DS Order") as containing adequate information and authorizing Grace to solicit votes to accept or reject the

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PI Settlement Plan, all as more fully described in the order. The DS Order did not constitute the Bankruptcy Court's confirmation of the PI Settlement Plan, approval of the merits of the PI Settlement Plan, or endorsement of the PI Settlement Plan. In connection with the plan voting process in the Grace bankruptcy case, we voted in favor of the PI Settlement Plan that was before the Bankruptcy Court. We will continue to review any amendments to the PI Settlement Plan on an ongoing basis to verify compliance with the Settlement agreement.

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

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

Various parties appealed or otherwise challenged the Bankruptcy Court Opinion and the Bankruptcy Court Confirmation Order, including without limitation with respect to issues relating to releases and injunctions contained in the PI Settlement Plan. On June 28 and 29, 2011, the District Court heard oral arguments in connection with appeals of the Bankruptcy Court Opinion and the Bankruptcy Court Confirmation Order. On January 30, 2012, the District Court issued a memorandum opinion (the "District Court Opinion") and confirmation order (the "District Court Confirmation Order") overruling all objections to the PI Settlement Plan and confirming the PI Settlement Plan in its entirety (including the issuance of the injunction under Section 524(g) of the Bankruptcy Code). On February 2, 2012, Garlock Sealing Technologies LLC ("Garlock") filed a motion (the "Garlock Reargument Motion") with the District Court requesting that the District Court grant reargument, rehearing, or otherwise amend the District Court Opinion and the District Court Confirmation Order insofar as they overrule Garlock's objections to the PI Settlement Plan. On February 13, 2012, the Company, Cryovac, and Fresenius Medical Care Holdings, Inc. filed a joint motion (the "Sealed Air/Fresenius Motion") with the District Court. The Sealed Air/Fresenius Motion does not seek to disturb confirmation of the PI Settlement Plan but requests that the District Court amend and clarify certain matters in the District Court Opinion and the District Court Confirmation Order. Also on February 13, 2012, Grace and the other proponents of the PI Settlement Plan filed a motion (the "Plan Proponents' Motion") with the District Court requesting certain of the same amendments and clarifications sought by the Sealed Air/Fresenius Motion. On February 27, 2012, certain asbestos claimants known as the "Libby Claimants" filed a response to the Sealed Air/Fresenius Motion and the Plan Proponents' Motion (the "Libby Response"). The Libby Response does not oppose the Sealed Air/Fresenius Motion or the Plan Proponents' Motion but indicates, among other things, that: (a) the Libby Claimants have reached a settlement in principle of their objections to the PI Settlement Plan but that this settlement has not become effective and (b) the Libby Claimants reserve their rights with respect to the PI Settlement Plan pending the effectiveness of the Libby Claimants' settlement. In addition, parties have appealed the District Court Opinion and the District Court

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Confirmation Order to the United States Court of Appeals for the Third Circuit (the Third Circuit Court of Appeals ). By orders dated February 23, 2012, the Third Circuit Court of Appeals stayed appeals of the District Court Opinion and the District Court Confirmation Order pending disposition of motions filed in the District Court with respect to the District Court Opinion and the District Court Confirmation Order. The District Court has not ruled on the Garlock Reargument Motion, the Sealed Air/Fresenius Motion, or the Plan Proponents Motion. In addition, on February 27, 2012, Garlock filed a motion (the Garlock Stay Motion ) requesting that the District Court stay the District Court Opinion and the District Court Confirmation Order until the later of 14 days after the disposition of the Garlock Reargument Motion or disposition of any timely appeal by Garlock of the District Court Opinion and the District Court Confirmation Order. The District Court has not ruled on the Garlock Stay Motion.

Although we are optimistic that, if it were to become effective, the PI Settlement Plan would implement the terms of the Settlement agreement, we can give no assurance that this will be the case notwithstanding the confirmation of the PI Settlement Plan by the Bankruptcy Court and the District Court. The terms of the PI Settlement Plan remain subject to amendment. Moreover, the PI Settlement Plan is subject to the satisfaction of a number of conditions which are more fully set forth in the PI Settlement Plan and include, without limitation, the availability of exit financing and the approval of the PI Settlement Plan becoming final and no longer subject to appeal. Parties have appealed the District Court Confirmation Order to the

**Table of Contents****SEALED AIR CORPORATION AND SUBSIDIARIES****Notes to Consolidated Financial Statements (Continued)**

Third Circuit Court of Appeals or otherwise challenged the District Court Opinion and the District Court Confirmation Order. Matters relating to the PI Settlement Plan, the Bankruptcy and District Court Opinions, and the Bankruptcy and District Court Confirmation Orders may be subject to further appeal, challenge, and proceedings before the District Court, the Third Circuit Court of Appeals, or other courts. Parties may designate various issues to be considered in challenging the PI Settlement Plan, the Bankruptcy and District Court Opinions, or the Bankruptcy and District Court Confirmation Orders, including, without limitation, issues relating to releases and injunctions contained in the PI Settlement Plan.

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

*Fresenius Claims*

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

*Canadian Claims*

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

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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.



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**Table of Contents****SEALED AIR CORPORATION AND SUBSIDIARIES****Notes to Consolidated Financial Statements (Continued)**

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

*Additional Matters Related to the Cryovac Transaction*

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

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

*Environmental Matters*

We are subject to loss contingencies resulting from environmental laws and regulations, and we accrue for anticipated costs associated with investigatory and remediation efforts when an assessment has indicated that a loss is probable and can be reasonably estimated. These accruals are not reduced by potential insurance recoveries, if any. We do not believe that it is reasonably possible that our liability in excess of the amounts that we have accrued for environmental matters will be material to our consolidated financial condition or results of operations. Environmental liabilities are reassessed whenever circumstances become better defined or remediation efforts and their costs can be better estimated.



**Table of Contents****SEALED AIR CORPORATION AND SUBSIDIARIES****Notes to Consolidated Financial Statements (Continued)**

We evaluate these liabilities periodically based on available information, including the progress of remedial investigations at each site, the current status of discussions with regulatory authorities regarding the methods and extent of remediation and the apportionment of costs among potentially responsible parties. As some of these issues are decided (the outcomes of which are subject to uncertainties) or new sites are assessed and costs can be reasonably estimated, we adjust the recorded accruals, as necessary. We believe that these exposures are not material to our consolidated financial condition or results of operations. We believe that we have adequately reserved for all probable and estimable environmental exposures.

***Other Principal Contractual Obligations***

At December 31, 2011, we had principal contractual obligations, which included agreements to purchase an estimated amount of goods, including raw materials, or services in the normal course of business, aggregating to approximately \$253 million. The estimated future cash outlays are as follows:

<b>Year</b>	<b>Amount</b>
2012	\$ 138.8
2013	78.3
2014	20.7
2015	13.8
2016	1.7
Total	\$ 253.3

***Leases***

We are obligated under the terms of various leases covering primarily warehouse and office facilities and production equipment, as well as smaller manufacturing sites that we occupy. We account for the majority of our leases as operating leases, which may include purchase or renewal options. At December 31, 2011, estimated future minimum annual rental commitments under non-cancelable real and personal property leases were as follows:

<b>Year</b>	<b>Amount</b>
2012	\$ 81.8
2013	57.2
2014	37.5
2015	24.8
2016	17.3
Thereafter	40.3
Total	\$ 258.9

Net rental expense was \$53 million in 2011, \$35 million in 2010 and \$42 million in 2009.

**Note 18 Stockholders Equity*****Dividends***

The following table shows our total cash dividends paid in the three years ended December 31, 2011.

	<b>Total Cash Dividends Paid</b>	<b>Total Cash Dividends Paid per Common Share</b>
2009	\$ 75.7	\$ 0.48
2010	79.7	0.50
2011	87.4	0.52
Total	\$ 242.8	

On February 16, 2012, our Board of Directors declared a quarterly cash dividend of \$0.13 per common share payable on March 16, 2012 to stockholders of record at the close of business on March 2, 2012. The estimated amount of this dividend payment is \$25 million based on 192 million shares of our common stock issued and outstanding as of January 31, 2012.

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

Information about the SARs issued in connection with the Diversey acquisition is included in Note 3, Acquisition of Diversey Holdings, Inc.

**Common Stock**

The following is a summary of changes during the three years ended December 31, 2011 in shares of our common stock:

	2011	2010	2009
<b>Changes in common stock:</b>			
Number of shares, beginning of year	169,272,636	168,749,681	168,111,815
Shares issued as part of the consideration for the Diversey acquisition	31,699,946		
Restricted stock shares awarded for 2009 Two-Year PSU awards	1,114,139		
Restricted stock shares issued for new awards under the 2005 Contingent Stock Plan	308,650	403,360	516,650
Shares granted and issued under the Directors Stock Plan	18,630	12,500	16,289
Restricted stock shares and units issued for SLO awards	24,515	12,895	3,627
Shares issued for vested restricted stock units	90,100	94,200	101,300
Number of shares issued, end of year	202,528,616	169,272,636	168,749,681
<b>Changes in common stock in treasury:</b>			
Number of shares held, beginning of year	9,967,129	9,811,507	10,229,288
Purchase of shares during the period		429,458	
Profit sharing contribution partially paid in stock		(346,362)	(535,000)
Restricted stock repurchased, withheld or forfeited	499,302	72,526	117,219
Number of shares held, end of year	10,466,431	9,967,129	9,811,507

**2005 Contingent Stock Plan**

The 2005 Contingent Stock Plan is our sole long-term equity compensation program for officers and employees. The 2005 Contingent Stock Plan provides for awards of equity-based compensation, including restricted stock, restricted stock units, performance share units and cash awards measured by share price, to our executive officers and other key employees, as well as U.S.-based key consultants. During the three years ended December 31, 2011, under the 2005 Contingent Stock Plan, we granted restricted stock, restricted stock units and cash awards, in addition to the SLO and PSU awards described below. An employee or consultant selected by the Organization and Compensation Committee of our Board of Directors to receive an award may accept the award during the period specified by us, provided the participant's relationship to us has not changed.

Awards made under the 2005 Contingent Stock Plan are restricted as to disposition by the holders for a period of at least three years after award, except for SLO and PSU awards, which are described below. In the event of termination of employment of a participant before lapse of the

restriction, the awards under the 2005 Contingent Stock Plan are forfeited on the date of termination unless (i) the termination results from the participant's death or permanent and total disability, or (ii) the Compensation Committee affirmatively determines not to seek forfeiture of the award in whole or in part. The forfeiture provision of the 2005 Contingent Stock Plan expires upon vesting of the awards, except that these provisions of the 2005 Contingent Stock Plan lapse sooner upon certain terminations of employment following a change in control.

*Amended 2005 Contingent Stock Plan*

The amended 2005 Contingent Stock Plan, which was approved by our stockholders in 2008, provides for the issuance of a total of 12 million shares of common stock for awards under the 2005 Contingent Stock Plan, which was last approved by our stockholders in May 2011, and accommodates awards to be made under our executive compensation program adopted in the first half of 2008.

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

For both restricted stock awards and units, we record compensation expense in marketing, administrative and development expenses on the consolidated statements of operations with a corresponding credit to additional paid-in capital within stockholders' equity based on the fair value of our common stock at the award grant date. For cash awards, we record a liability, which is reflected in other liabilities on the consolidated balance sheets, and record compensation expense based on the fair value of the award at the end of each reporting period. The amount of the liability for cash awards is re-measured at each reporting period based on the then current stock price and the effects of the stock price changes are recognized as compensation expense. At December 31, 2011, the liability related to cash awards was \$0.5 million.

The following tables show the details of the non-vested awards under the 2005 Contingent Stock Plan, excluding SLO and PSU awards.

	2011	Weighted-Average per Share Market Value on Grant Date
<b>Non-vested Restricted Stock Shares Awards</b>		
Number of non-vested restricted stock shares, beginning of year	1,188,346	\$ 19.78
Restricted stock shares issued for new awards during the year	308,650	25.30
Restricted stock shares vested during the year	(271,936)	23.45
Restricted stock shares forfeited during the year	(41,400)	17.44
Number of non-vested restricted stock shares, end of year	1,183,660	\$ 20.45

The non-vested restricted stock shares included above had a weighted-average remaining contractual life of approximately 1.3 years at December 31, 2011.

	2011	Weighted-Average per Share Market Value on
<b>Non-vested Restricted Stock Units Awards</b>		

		<b>Grant Date</b>
Number of non-vested restricted stock units, beginning of year	301,950	\$ 20.13
Restricted stock units issued for new awards during the year	133,650	24.40
Restricted stock units vested during the year	(90,100)	22.51
Restricted stock units forfeited during the year	(3,500)	20.37
Number of non-vested restricted stock units, end of year	342,000	\$ 21.17



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The non-vested restricted stock units included above had a weighted-average remaining contractual life of approximately 1.5 years at December 31, 2011.

<b>Non-vested Cash Awards</b>	<b>2011</b>
Number of non-vested cash awards, beginning of year	51,000
Cash awards issued for new awards during the year	30,550
Cash awards vested during the year	(22,200)
Cash awards forfeited during the year	(1,300)
Number of non-vested cash awards, end of year	58,050