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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, 2002

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)
Park 80 East, Saddle Brook, New Jersey (Address of Principal Executive Offices)	**07663-5291** (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
Series A Convertible Preferred Stock, par value $0.10 per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K 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 an accelerated filer (as defined in Rule 12b-2 of the Act). Yes ☒ No ☐

The aggregate market value of the registrant's Common Stock held by non-affiliates of the registrant on June 28, 2002 was approximately $3,300,000,000.

The number of outstanding shares of the registrant's Common Stock as of March 19, 2003 was 84,360,280.

DOCUMENTS INCORPORATED BY REFERENCE: Portions of the registrant's definitive proxy statement for its 2003 Annual Meeting of Stockholders are incorporated by reference into Part III of this Form 10-K.

SEALED AIR CORPORATION AND SUBSIDIARIES
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PART I

Item 1. Business

Sealed Air Corporation (the "Company"), operating through its subsidiaries, is engaged in the manufacture and sale of a wide range of food, protective and specialty packaging products.

The Company conducts substantially all of its business through two direct wholly-owned subsidiaries, Cryovac, Inc. and Sealed Air Corporation (US). These two subsidiaries directly and indirectly own substantially all of the assets of the business and conduct operations themselves and through subsidiaries around the globe. References herein to the Company include, collectively, the Company and its subsidiaries, except where the context indicates otherwise.

Segments

The Company operates in two reportable business segments: (i) Food Packaging and (ii) Protective and Specialty Packaging, described more fully below. Information concerning the Company's reportable segments appears in Note 3 of the Notes to Consolidated Financial Statements in Part II, Item 8 of this Annual Report on Form 10-K, which information is incorporated herein by reference.

Food Packaging Products

The Company's principal food packaging products are its flexible materials and related systems marketed primarily under the Cryovac® trademark for packaging a broad range of perishable foods. This segment also includes the Company's rigid packaging and absorbent pads. The products in this segment are primarily sold to food processors, distributors and food service businesses.

Flexible Materials and Related Systems

The Company produces a variety of high-performance proprietary flexible films, bags and associated packaging equipment marketed and sold primarily under the Cryovac® trademark that are used to package a broad range of perishable foods such as fresh meat, smoked and processed meat, cheese, poultry, processed and prepared foods (including soups and sauces for restaurants and institutions) and produce.

Cryovac® food packaging products include shrink bags, shrink films and laminated films sold for food packaging applications. Shrink bags and films are co-extruded, multi-layered, shrinkable plastic bags and films that, when exposed to heat, mold themselves to the shape of the product. Laminated films are multi-layered, non-shrinkable plastic materials used to package perishable foods and shelf-stable products such as syrups and toppings. Films and bags are sold in barrier and permeable forms, depending on the extent to which it is desirable that oxygen or other gases pass through the material. For fresh-cut produce, the Company produces films that permit gases to pass through at various rates, thereby matching the varying respiration rates of different vegetables and permitting longer shelf life.

The Company's food packaging equipment offerings include dispensing and loading units to package foods in shrink, vacuum or vacuum skin packages, which can utilize the Company's films and bags; form-fill-seal units to package foods in pouches, which can be made using the Company's films; shrink tunnels; bagging systems; and auxiliary equipment. Systems are marketed to the food processing industry under the Cryovac® trademark and other trademarks. The Company's case ready packaging customers, principally meat and poultry processors, purchase trays and pads (discussed below), specially designed films, and packaging equipment to centrally package meat and poultry products prior to shipment to the supermarket. Case ready packages are virtually ready for the meat case upon arrival at the retail store.

Rigid Packaging and Absorbent Pads

The Company manufactures and sells polystyrene foam and solid plastic trays and containers that are used for the packaging of a wide variety of food products. Supermarkets and food processors use these products to protect and display fresh meat, poultry, produce and other food products. The Company also manufactures and sells absorbent pads used for food packaging, including its Dri-Loc® absorbent pads.

Protective and Specialty Packaging Products

The Company's protective and specialty packaging products include its cushioning and surface protection products and certain other products. The Company's protective and specialty packaging products and systems are sold primarily to distributors and manufacturers in a wide variety of industries. The products in this segment enable the end users to provide a high degree of protection in packaging their items by means of cushioning or surface protection, or a combination thereof, as well as void fill.

Cushioning and Surface Protection Products

The Company manufactures and markets Bubble Wrap® and AirCap® air cellular packaging materials, which consist of air encapsulated between two layers of plastic film, each containing a barrier layer to retard air loss, that form a pneumatic cushion to protect products from damage through shock or vibration during shipment. The Company's performance shrink films are sold for product display and merchandising applications under the Cryovac® and Opti® trademarks. These films are used primarily to "shrink-wrap" a wide assortment of industrial and consumer products. The Company's Instapak® polyurethane foam packaging systems (which consist of proprietary blends of polyurethane chemicals, high performance polyolefin films and specially designed dispensing equipment) provide protective packaging for a wide variety of products. CelluPlank® plank foams and Stratocell® laminated polyethylene foams are generally sold by the Company to fabricators and converters. The Company also manufactures thin polyethylene foams in roll and sheet form under the trademarks Cell-Aire® and Cellu-Cushion®. Korrvu® packaging is the Company's suspension and retention packaging offering. The Company's insulation products are made with foil-faced air cellular materials. The Company also offers sterilized medical bags and films for use with medical products.

The Company manufactures and markets Jiffy® protective mailers and other durable mailers and bags that are made in several standard sizes and are used for mailing or shipping a wide variety of items. The Company's protective mailers include lightweight, tear-resistant mailers marketed under various trademarks, including Jiffylite® and Mail Lite®, lined with air cellular cushioning material. These products also include the widely used Jiffy® padded mailers made from recycled kraft paper padded with macerated recycled newspaper. The Company's durable mailers and bags, which are produced from multi-layered polyolefin film, are lightweight, water-resistant and puncture-resistant and are available in tamper-evident varieties. These mailers and bags are marketed under a number of trademarks, including the ShurTuff®, Trigon®, Lab Pak®, Keepsafe® and Tuffgard® trademarks. The Company also manufactures and sells paper packaging products under the trademarks Kushion Kraft®, Custom Wrap™, Jiffy Packaging™ and Void Kraft™.

The Company offers inflatable packaging systems, including its Fill-Air™ system, which converts rolls of polyethylene film into continuous perforated chains of air-filled cushions, and its Rapid Fill® system, which consists of a compact, portable inflator and self-sealing inflatable plastic bags. The Company produces and markets converting systems that convert certain of the Company's packaging materials, including air cellular cushioning materials, thin polyethylene foam and paper packaging materials, into sheets of a pre-selected size and quantity or, for the Company's recycled kraft paper, into paper dunnage material. The Company also offers its Shanklin® shrink packaging machinery, as well as certain other shrink packaging equipment models.

Other Products

The Company manufactures and sells a number of other products, including specialty adhesive tapes, solar collectors and covers for swimming pools, and certain products related to the elimination and neutralization of static electricity. Also, the Company manufactures recycled kraft paper as well as loose-fill polystyrene packaging.

Foreign Operations

The Company operates in the United States and in 49 other countries, and its products are distributed in those countries as well as in other parts of the world. In maintaining its foreign operations, the Company is exposed to risks inherent in such operations, including those of currency fluctuations. Information on currency exchange risk appears in Part II, Item 7A of this Annual Report on Form 10-K, which information is incorporated herein by reference. Financial information about geographic areas, including net sales and total long-lived assets, for each of the years in the three-year period ended December 31, 2002 appears in Note 3 of the Notes to Consolidated Financial Statements in Part II, Item 8 of this Annual Report on Form 10-K, which information is incorporated herein by reference.

Marketing, Distribution and Customers

The Company employs over 2,500 sales and marketing personnel in the countries in which it operates, who market the Company's products through a large number of distributors, fabricators and converters, as well as directly to end users (including food processors, food service businesses, and manufacturers).

To support its food packaging customers, the Company has food science laboratories in a number of locations that assist customers in identifying the appropriate food packaging materials and systems to meet their needs. The Company also offers customized graphic design services to its food packaging and mailer customers.

To assist its marketing efforts for its protective and specialty packaging products and to provide specialized customer services, the Company maintains packaging laboratories in many of its United States and foreign facilities. These laboratories are staffed by professional packaging engineers and equipped with drop-testing and other equipment used to develop and test cost-effective package designs to meet the particular protective and specialty packaging requirements of each customer.

The Company has no material long-term contracts for the distribution of its products. In 2002, no customer or affiliated group of customers accounted for 10% or more of the Company's consolidated net sales.

Although net sales of both food packaging products and protective and specialty packaging products tend to be slightly higher in the fourth quarter, the Company does not consider seasonality to be material to its consolidated business.

Competition

Competition for most of the Company's packaging products is based primarily on packaging performance characteristics, service and price. Since competition is also based upon innovations in packaging technology, the Company's ongoing research and development programs are intended to enable the Company to maintain technological leadership. Certain companies producing competing products are well established and may have greater financial resources than the Company.

There are a number of competing manufacturers of food packaging products, including companies offering similar products that operate on a global basis, as well as those that operate in a region or single country. Competing manufacturers produce a wide variety of food packaging based on plastic, paper, metals and other materials. The Company believes that it is one of the leading suppliers of flexible food packaging materials and related systems in the principal geographic areas in which it offers those products and one of the leading suppliers of absorbent pads for food products to supermarkets and poultry processors in the United States.

The Company's protective and specialty packaging products compete with similar products made by other manufacturers and with a number of other packaging materials that are used to provide protection against damage to the packaged product during its shipment and storage. Competitive materials include various forms of paper packaging products, expanded plastics, corrugated die cuts, loosefill packaging materials, strapping, envelopes, reinforced bags, boxes and other containers, and various corrugated materials. The Company's Instapak® packaging and its plank and laminated foam products also compete with various types of molded foam plastics, fabricated foam plastics and mechanical shock mounts and with wood blocking and bracing systems. The Company believes that it is one of the leading suppliers of air cellular cushioning materials containing a barrier layer, shrink films for industrial and commercial applications, protective mailers, polyethylene foam and polyurethane foam packaging systems in the principal geographic areas in which it sells these products.

Raw Materials

The raw materials utilized in the Company's operations generally have been readily available on the open market and in most cases are available from several suppliers. Some materials used in the Company's protective packaging products are reprocessed from scrap generated in the Company's manufacturing operations or obtained through participation in recycling programs. The principal raw materials used in the Company's food packaging products include polyolefin and other resins and films, paper and wood pulp products and blowing agents used in foam packaging products. The principal raw materials used in the Company's protective and specialty packaging products include raw materials similar to those used in its food packaging products, as well as polyurethane chemicals. The Company also offers a wide variety of specialized packaging equipment, some of which it manufactures (or has manufactured to its specifications), some of which it assembles and some of which it purchases from other suppliers.

Product Development

The Company maintains a continuing effort to develop new products and improvements to its existing products and processes as well as new packaging and non-packaging applications for its products. From time to time, the Company also acquires new packaging designs or techniques developed by others that it believes to be promising and commercializes them. The Company has joint research and development projects combining the technical capabilities of its food packaging operations and its protective and specialty packaging operations. The Company incurred expenses of $59,283,000 related to Company-sponsored research and development in 2002, compared with $55,779,000 during 2001, and $54,264,000 during 2000.

Patents and Licenses

The Company is the owner or licensee of a number of United States and foreign patents and patent applications that relate to certain of its products, manufacturing processes and equipment. The Company believes that patents, licenses and trademarks collectively provide a competitive advantage. Neither of the Company's reportable segments, however, is dependent upon any single patent or license alone. Rather, the Company believes that its success depends primarily on its marketing, engineering and manufacturing skills and on its ongoing research and development efforts. The Company believes that the expiration or unenforceability of any of such patents, applications or licenses would not be material to the Company's business or financial position.

Environmental Matters

The Company, like other manufacturers, is subject to various laws, rules and regulations in the countries, jurisdictions and localities in which it operates covering the discharge of materials into the environment, standards for the treatment, storage and disposal of solid and hazardous wastes or otherwise relating to the protection of the environment. The Company reviews the effects of environmental laws and regulations on its operations and believes that compliance with current environmental laws and regulations has not had a material effect on the Company's capital expenditures or financial position.

In some jurisdictions in which the Company's packaging products are sold or used, laws and regulations have been adopted or proposed that seek to regulate, among other things, recycled or reprocessed content and sale or disposal of packaging materials. In addition, customer demand for packaging materials that are viewed as being "environmentally responsible" and that minimize the generation of solid waste continues to evolve. While these issues can be a competitive factor in the marketplace for packaging materials, the Company maintains programs designed to comply with these laws and regulations, to monitor their evolution, and to meet such customer demand.

The Company also supports its customers' interests in eliminating waste by offering or participating in collection programs for certain of the Company's products or product packaging and for materials used in certain of the Company's products. When possible, materials collected through these programs are reprocessed and either reused in the Company's protective packaging operations or offered to other manufacturers for use in other products.

Employees

At December 31, 2002, the Company had approximately 17,900 employees worldwide.

Available Information

The Company's Internet address is *www.sealedair.com.* The Company makes available, free of charge, on or through its web site at *www.sealedair.com*, its annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 as soon as reasonably practicable after the Company electronically files such material with, or furnishes it to, the Securities and Exchange Commission.

Item 2. Properties

The Company's food packaging products are produced in 50 manufacturing facilities (14 in North America, 15 in Europe, 9 in Latin America, 11 in the Asia Pacific region, and 1 in South Africa). Protective and specialty packaging products are produced in 87 manufacturing facilities (35 in North America, 26 in Europe, 10 in Latin America, 14 in the Asia Pacific region, and 2 in South Africa). A number of the Company's manufacturing facilities serve both segments. The Company occupies other facilities containing sales, distribution, technical, warehouse or administrative functions at a number of locations in the United States and in various foreign countries.

In the United States, the Company's food packaging products are manufactured at facilities in Indiana, Iowa, Mississippi, Missouri, New York, North Carolina, Pennsylvania, South Carolina and Texas. Its protective and specialty packaging products are manufactured at facilities in California, Connecticut, Illinois, Indiana, Massachusetts, Mississippi, Missouri, New Jersey, New York, North Carolina, Ohio, Pennsylvania, South Carolina, Texas and Washington. Because of the light but bulky nature of the Company's air cellular, polyethylene foam and protective mailer products, significant freight savings are realized by locating manufacturing facilities for these products near customers. To realize the benefit of

such savings, the Company has facilities for manufacturing these products in various locations in proximity to customers.

The Company owns the large majority of its manufacturing facilities on a worldwide basis (including its largest plants). Certain of these facilities are subject to secured or other financing arrangements. The Company also leases sites for warehouse and office needs, as well as for the balance of its manufacturing facilities (generally smaller sites). The Company's manufacturing facilities are usually located in general purpose buildings in which the Company's specialized machinery for the manufacture of one or more products is contained. The Company believes that its manufacturing, warehouse and office facilities are well maintained, suitable for their purposes, and adequate for the Company's needs.

Item 3. Legal Proceedings

The information set forth in Part II, Item 7 of this Annual Report on Form 10-K under the captions "Other Matters — Cryovac Transaction" and "Other Matters — Contingencies Related to the Cryovac Transaction" in Management's Discussion and Analysis of Results of Operation and Financial Condition is incorporated herein by reference.

At December 31, 2002, the Company was a party to, or otherwise involved in, several federal, state and foreign government environmental proceedings and private environmental claims for the cleanup of "Superfund" sites (from the Comprehensive Environmental Response, Compensation, and Liability Act of 1980) or other sites. The Company may have potential liability for investigation and clean up of certain of such sites. It is the Company's policy to accrue for environmental cleanup costs if it is probable that a liability has been incurred and if an amount which is within the estimated range of the costs associated with various alternative remediation strategies is reasonably estimable, without giving effect to any possible future insurance proceeds. As assessments and cleanups proceed, these liabilities are reviewed periodically and adjusted as additional information becomes available. At December 31, 2002, such environmental related provisions were not material. While it is often difficult to estimate potential liabilities and the future impact of environmental matters, based upon the information currently available to the Company and its experience in dealing with such matters, the Company believes that its potential future liability with respect to such sites is not material to the Company's results of operations or consolidated financial position.

The Company is also involved in various other legal actions incidental to its business. Company management believes, after consulting with counsel, that the disposition of these other legal proceedings and matters will not have a material effect on the Company's consolidated results of operations or consolidated financial position.

Item 4. Submission of Matters to a Vote of Security Holders

No matters were submitted to a vote of the Company's stockholders during the fourth quarter of 2002.

Executive Officers of the Registrant

The information appearing in the table below sets forth the current position or positions held by each executive officer of the Company, his or her age as of March 15, 2003, the year in which he or she was first elected to the position currently held with the Company or with old Sealed Air (as indicated in the footnote to the table), and the year in which he or she was first elected an officer of the Company or of old Sealed Air (as indicated in the footnote to the table).

All of the Company's officers serve at the pleasure of the Board of Directors. All officers have been employed by the Company or its subsidiaries for more than five years except for Mr. Kelsey, who was elected Vice President and Chief Financial Officer of the Company effective January 1, 2002. Previously, Mr. Kelsey was, since 1998, Vice President and Chief Financial Officer of Oglebay Norton Company, a public company that mines, processes, transports and markets aggregates and industrial

minerals, and prior to that, Executive Vice President, Chief Financial Officer and Chief Administrative Officer of Host Communications, Inc., then a privately-held communications firm. There are no family relationships among any of the Company's officers or directors.

Name and Current Position	Age as of March 15, 2003	First Elected to Current Position*	First Elected An Officer*
William V. Hickey President, Chief Executive Officer and Director	58	2000	1980
Robert A. Pesci Senior Vice President	57	1997	1990
David H. Kelsey Vice President and Chief Financial Officer	52	2002	2002
Jonathan B. Baker Vice President	50	1994	1994
James A. Bixby Vice President	59	1990	1990
Mary A. Coventry Vice President	49	1994	1994
James P. Mix Vice President	51	1994	1994
Manuel Mondragón Vice President	53	1999	1999
Carol Lee O'Neill Vice President	39	2002	2002
J. Stuart K. Prosser Vice President	57	1999	1999
Abraham N. Reichental Vice President	46	1994	1994
Hugh L. Sargant Vice President	54	1999	1999
Fred Smagorinsky Vice President	43	2001	2001
James Donald Tate Vice President	51	2001	2001
H. Katherine White Vice President, General Counsel and Secretary	57	2003	1996
Tod S. Christie Treasurer	44	1999	1999
Jeffrey S. Warren Controller	49	1996	1996

* All persons listed in the table who were first elected officers before 1998 were executive officers of old Sealed Air prior to the Cryovac Transaction. Mr. Hickey was first elected President of the Company in 1996, first elected Chief Executive Officer in 2000 and first elected a director in 1999. Ms. White was first elected Vice President in 2003, first elected General Counsel in 1998, and first elected Secretary in 1996.

Part II

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters

The Company's Common Stock is listed on the New York Stock Exchange (trading symbol: SEE). The table below sets forth the quarterly high and low sales prices of the Common Stock for 2001 and 2002 as reported in the New York Stock Exchange composite listing. No dividends were paid on the Common Stock in either year. The Company does not currently intend to begin paying dividends on its Common Stock. As of March 19, 2003, there were approximately 9,061 holders of record of the Company's Common Stock.

The Company's Series A Convertible Preferred Stock is also listed on the New York Stock Exchange (trading symbol: SEE PrA). The table below sets forth the quarterly high and low sales prices for the Series A Preferred Stock for 2001 and 2002 as reported in the New York Stock Exchange composite listing. Quarterly dividends of $0.50 per share were paid on the Preferred Stock in each year. As of March 19, 2003, there were approximately 7,349 holders of record of the Preferred Stock.

Common Stock

2001	High	Low
First Quarter	$ 41.80	$ 28.80
Second Quarter	$ 44.88	$ 30.42
Third Quarter	$ 41.64	$ 31.93
Fourth Quarter	$ 47.10	$ 35.30

2002	High	Low
First Quarter	$ 48.39	$ 36.20
Second Quarter	$ 48.38	$ 39.11
Third Quarter	$ 40.68	$ 13.29
Fourth Quarter	$ 38.99	$ 12.70

Preferred Stock

2001	High	Low
First Quarter	$ 42.50	$ 30.88
Second Quarter	$ 46.25	$ 33.83
Third Quarter	$ 43.70	$ 34.50
Fourth Quarter	$ 47.00	$ 38.00

2002	High	Low
First Quarter	$ 46.58	$ 37.20
Second Quarter	$ 46.96	$ 39.10
Third Quarter	$ 40.88	$ 17.20
Fourth Quarter	$ 43.20	$ 18.30

The information set forth in Part III, Item 12 of this Annual Report on Form 10-K under the caption "Equity Compensation Plan Information as of December 31, 2002" is incorporated herein by reference.

Item 6. Selected Financial Data(1)

(In thousands of dollars, except per share data)

	2002(2)	2001	2000	1999	1998
Consolidated Statement of Operations Data:					
Net sales	$ 3,204,256	$ 3,067,482	$ 3,067,714	$ 2,931,853	$ 2,580,207
Gross profit	1,057,613	990,287	1,035,304	1,028,722	868,736
Operating profit(3)	516,386	387,391	468,463	452,192	259,332
(Loss) earnings before income taxes	(391,933)	297,452	413,429	395,653	198,947
Net (loss) earnings	(309,069)	156,697	225,319	211,461	73,007
Series A convertible preferred stock dividends(4)	53,845	55,024	64,266	71,422	53,921
(Loss) earnings per common share(5)					
Basic	$ (4.20)	$ 1.30	$ 2.47	$ 1.69	$ 0.04
Diluted	$ (4.30)	$ 1.22	$ 1.93	$ 1.68	$ 0.02
Consolidated Balance Sheet Data:					
Working capital (net liability) net asset(6)	$ (96,496)	$ 149,372	$ 202,512	$ 221,130	$ 309,624
Total assets(6)	4,260,766	3,907,909	4,090,882	3,887,583	4,066,982
Long-term debt, less current portion(6)	868,030	788,111	944,453	665,116	996,526
Series A convertible preferred stock(4)	1,327,005	1,366,154	1,392,373	1,761,662	1,791,093
Total shareholders' equity	$ 812,960	$ 850,152	$ 753,129	$ 551,030	$ 437,045
Other Data:					
EBIT(7)	$ (326,618)	$ 373,850	$ 477,942	$ 453,779	$ 252,576
Depreciation and amortization(3)	164,955	220,616	219,641	223,399	195,954
EBITDA(7)	(161,663)	594,466	697,583	677,178	448,530
Capital expenditures	$ 91,625	$ 146,277	$ 114,197	$ 75,080	$ 82,408

(1) The Selected Financial Data include the operations of the Cryovac packaging business ("Cryovac") for all periods presented. The operating results, cash flows, assets and liabilities of old Sealed Air are included for all periods subsequent to March 31, 1998, the date of the Cryovac Transaction. See Note 18 to the Consolidated Financial Statements.

(2) In November 2002, the Company reached an agreement in principle with the appropriate parties to resolve all current and future asbestos-related claims made against it and its affiliates in connection with the Cryovac Transaction. The settlement will also resolve the fraudulent transfer claims, as well as indemnification claims by Fresenius Medical Care Holdings, Inc. and affiliated companies, made against the Company in connection with the Cryovac Transaction. Due to the above settlement, the Company recorded a pre-tax charge of $850,118 in the consolidated statement of operations in 2002, which resulted in the Company's net loss for the year ended December 31, 2002. See Note 18 to the Consolidated Financial Statements.

(3) Beginning January 1, 2002, in accordance with Statement of Financial Accounting Standards No. 142, the Company ceased recording amortization expense related to goodwill. Goodwill amortization expense was $57,005 in 2001, $51,776 in 2000, $49,404 in 1999 and $36,062 in 1998. See Note 19 to the Consolidated Financial Statements.

(4) The Series A convertible preferred stock pays a cash dividend at an annual rate of $2.00 per share, payable quarterly in arrears when and as declared by the Board of Directors, and is subject to mandatory redemption on March 31, 2018 at $50.00 per share, plus any accrued and unpaid dividends, to the extent that it then remains outstanding. Dividends of $0.50 per share have been declared and paid for each quarter since July 1, 1998.

(5) Prior to the Cryovac Transaction, Cryovac did not have a separately identifiable capital structure upon which a calculation of earnings per common share could be based. In calculating basic and diluted earnings per common share for 1998, retroactive recognition was given to the various actions undertaken in connection with the Cryovac Transaction for the period prior to March 31, 1998.

(6) In December 2001, the Company and certain of its U.S. subsidiaries entered into a U.S. accounts receivable securitization program (the "Receivables Facility") and sold $95,600 of such interests in U.S. accounts receivable to the financial institutions participating in such Facility. This amount was removed from the consolidated balance sheet and used to pay down certain of the Company's outstanding borrowings. As of December 31, 2002, such financial institutions held no interests in accounts receivable. See Note 4 to the Consolidated Financial Statements.

(7) EBIT is defined as (loss) earnings before interest expense and provisions for income taxes. EBITDA is defined as EBIT plus depreciation and amortization. The Company's management believes that EBIT and EBITDA are of interest to investors as frequently used measures of a company's ability to generate cash to service its obligations, including debt service obligations, and to finance capital and other expenditures. EBIT and EBITDA do not purport to represent net earnings or net cash provided by operating activities, as those terms are defined under generally accepted accounting principles, and should not be considered as an alternative to such measurements or as indicators of the Company's performance. The Company's definitions of EBIT and EBITDA may not be comparable with similarly-titled measures used by other companies. EBIT and EBITDA are among the indicators used by the Company's management to measure the performance of the Company's operations and are also among the criteria upon which performance based compensation may be based. The following is a reconciliation of net cash provided by operating activities to EBIT and EBITDA:

	2002	2001	2000	1999	1998
Net cash provided by operating activities	$ 323,939	$ 578,693	$ 329,413	$ 430,354	$ 411,646
Adjustment for items included in cash provided by operating activities but excluded from the calculation of EBITDA and EBIT:					
Amortization of bond discount	(744)	(561)	(318)	(169)	—
Non-cash portion of restructuring and other charges (credits)	—	(7,287)	1,247	—	(44,175)
Non-cash portion of asbestos settlement	(321,480)	—	—	—	—
Deferred tax provisions	257,208	9,083	(20,361)	(19,358)	(24,022)
Net loss (gain) on disposals of property and equipment	(136)	237	(594)	(149)	(1,980)
Changes in operating assets and liabilities, net of businesses acquired	(402,901)	(202,852)	135,573	24,182	(72,508)
Interest expense	65,315	76,398	64,513	58,126	53,629
Income tax (benefit) expense	(82,864)	140,755	188,110	184,192	125,940
EBITDA	$ (161,663)	$ 594,466	$ 697,583	$ 677,178	$ 448,530
Less: depreciation and amortization	(164,955)	(220,616)	(219,641)	(223,399)	(195,954)

EBIT	$	(326,618)	$	373,850	$	477,942	$	453,779	$	252,576

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

Net Sales

The principal factors affecting changes in net sales in the three years ended December 31, 2002 were changes in unit volume (including the added net sales of acquired businesses), changes in product mix and average selling prices and foreign currency translation.

Net sales in 2002 increased 4% to $3,204,256,000 compared with $3,067,482,000 for 2001, which were essentially even compared with $3,067,714,000 in 2000.

The increase in net sales in 2002 was primarily due to higher unit volume for certain products and, to a lesser extent, the added net sales of acquired businesses, partially offset by unfavorable changes in product price/mix. Foreign currency translation had a modestly favorable impact of approximately $17,000,000 in 2002.

Net sales in 2001 were essentially even compared to 2000 due to the net effect of added net sales of acquired businesses, offset by lower unit volume for certain products and the negative effect of foreign currency translation. Foreign currency translation had an unfavorable impact of approximately $75,000,000 in 2001. Excluding the negative effect of foreign currency translation, net sales would have increased 2% compared to 2000.

The favorable impact of foreign currency translation on net sales in 2002 was primarily due to the strengthening of foreign currencies in Europe and the Asia-Pacific region compared with the U.S. dollar, partially offset by the weakness of the Argentine peso and the Brazilian real. The unfavorable impact of foreign currency translation on net sales in 2001 was primarily due to the weakness of foreign currencies in the Asia-Pacific region, Europe and Latin America compared with the U.S. dollar.

Net sales from operations in the United States represented approximately 55% of net sales in each of 2002, 2001 and 2000. Net sales from U.S. operations increased approximately 5% in 2002 to $1,758,761,000 compared with $1,680,204,000 for 2001. This increase was primarily due to higher unit volume for certain products and, to a lesser extent, the added net sales of acquired businesses, partially offset by unfavorable changes in product price/mix. Net sales from U.S. operations in 2001 decreased approximately 1% to $1,680,204,000 compared to $1,689,467,000 in 2000. This decrease was primarily due to lower unit volume for certain products, partially offset by the added net sales of acquired businesses.

Net sales from foreign operations increased approximately 4% in 2002 to $1,445,495,000 compared with $1,387,278,000 for 2001 primarily due to higher unit volume for certain products and, to a lesser extent, approximately $17,000,000 from the favorable impact of foreign currency translation discussed above. Excluding the positive effect of foreign currency translation, net sales from foreign operations would have increased 3% compared to 2001. Net sales from foreign operations increased 1% in 2001 to $1,387,278,000 compared with $1,378,247,000 in 2000 due primarily to the added net sales of acquired businesses, partially offset by the negative effect of foreign currency translation of approximately $75,000,000 discussed above. Excluding the negative effect of foreign currency translation, net sales from foreign operations would have increased 6% compared to 2000.

Net sales of the Company's food packaging segment, which consists primarily of the Company's Cryovac® food packaging products, constituted 61% of net sales in each of 2002 and 2001, and 60% in 2000. Net sales of the Company's protective and specialty packaging segment, which includes the aggregation of the Company's protective packaging products, engineered products and shrink packaging products, all of which are used principally for non-food packaging applications, constituted the balance of net sales.

Food Packaging Segment Sales

Net sales of food packaging products increased 4% in 2002 to $1,958,078,000 compared to $1,880,281,000 in 2001 and increased 2% in 2001 compared to $1,837,294,000 in 2000. The increase in 2002 was primarily due to higher unit volume for certain products. Foreign currency translation had a modestly favorable impact on this segment of approximately $10,000,000 in 2002. The increase in 2001 was due to the added net sales of acquired businesses and, to a lesser extent, higher average selling prices and higher unit volume for certain products, partially offset by approximately $50,000,000 from the negative effect of foreign currency translation. Excluding this negative effect of foreign currency translation, net sales would have increased 5% in 2001 compared to 2000. Early in 2001, this segment experienced disruptions due to reductions in meat supply caused by an outbreak of foot-and-mouth

disease and declines in beef consumption resulting from concerns over bovine spongiform encephalopathy (BSE or "mad-cow" disease), principally in Europe. As these concerns abated in the third and fourth quarters of 2001, supply and consumption returned to more normal levels.

Among the classes of products in the food packaging segment, in 2002 net sales of flexible packaging materials and related systems increased 4% to $1,657,185,000 compared with $1,592,142,000 for 2001, which were essentially even compared with $1,599,230,000 in 2000. Net sales increased in 2002 primarily due to higher unit volume for certain products. Foreign currency translation had a modestly favorable impact of approximately $6,000,000 in 2002 for flexible materials and related systems. Net sales of these products in 2001 were flat compared to 2000 due to the net effect of higher average selling prices for certain flexible packaging materials, and to a lesser extent, the added net sales of acquired businesses, offset by approximately $44,000,000 from the negative effect of foreign currency translation. Excluding this negative effect of foreign currency translation, net sales of flexible packaging materials and related systems would have increased 2% in 2001.

Net sales of rigid packaging and absorbent pads increased 4% to $300,893,000 in 2002 compared with $288,139,000 for 2001 and increased 21% in 2001 compared with $238,064,000 in 2000. The increase in net sales in these products in 2002 was primarily due to favorable changes in product price/mix, and to a lesser extent, a favorable impact of foreign currency translation of approximately $4,000,000. Excluding the positive effect of foreign currency translation, net sales of rigid packaging and absorbent pads would have increased 3% in 2002. The increase in 2001 was primarily due to the added net sales of the Dolphin Packaging business, which was acquired in 2000, and other smaller businesses, and to a lesser extent, higher unit volume for certain products, partially offset by a negative effect of foreign currency translation of approximately $6,000,000. Excluding the negative effect of foreign currency translation, net sales of rigid packaging and absorbent pads would have increased 23% in 2001.

Protective and Specialty Packaging Segment Sales

Net sales of protective and specialty packaging products increased 5% to $1,246,178,000 in 2002 compared with $1,187,201,000 in 2001 but decreased 4% in 2001 compared with $1,230,420,000 in 2000. The increase in 2002 was primarily due to higher unit volume for certain products and the added net sales of acquired businesses, partially offset by unfavorable changes in product price/mix. Foreign currency translation had a modestly favorable impact in 2002 of approximately $7,000,000 for the protective and specialty packaging segment. The decrease in net sales in 2001 was due primarily to lower unit volume for certain products due to the recessionary environment and, to a lesser extent, approximately $25,000,000 from the negative effect of foreign currency translation, partially offset by the added net sales of acquired businesses. Excluding this negative effect of foreign currency translation, net sales would have decreased 2% in 2001.

Costs and Margins

Gross profit as a percentage of net sales was 33.0% in 2002, 32.3% in 2001 and 33.7% in 2000. The increase in 2002 compared to 2001 was primarily due to higher unit volumes in both reportable business segments. The decrease in 2001 was primarily due to lower sales volume of certain protective and specialty packaging products as well as changes in product mix compared to the 2000 period and was partially offset by lower costs for certain raw materials.

Marketing, administrative and development expenses increased 6% in 2002 but declined 1% in 2001. The increase in 2002 was primarily due to higher expenses for certain corporate projects, insurance costs, the effects of businesses acquired and the impact of foreign currency translation. The decline in 2001 was attributable to cost control measures and the impact of foreign currency translation. Marketing, administrative and development expenses as a percentage of net sales were 16.9% in 2002, 16.7% in 2001 and 16.8% in 2000.

Beginning January 1, 2002, in accordance with Statement of Financial Accounting Standards ("SFAS") No. 142, the Company ceased recording goodwill amortization expense in its consolidated statement of operations. Goodwill amortization expense was $57,005,000 in 2001 and $51,776,000 in 2000. The increase in 2001 compared to 2000 was due to acquisitions. See below under "Recently Issued Statements of Financial Accounting Standards" for a discussion of this new standard.

2001 Restructuring Program

During 2001, based primarily on weakening economic conditions, especially in the U.S., the Company conducted a review of its business to reduce costs and expenses, simplify business processes and organizational structure, and to refine further the Company's manufacturing operations and product offerings. As a result of such review, which was completed in the fourth quarter of 2001, the Company announced and began implementing a restructuring program that resulted in charges to operations of $32,805,000 for 2001. Such charges included the following:

	Year Ended December 31, 2001
Employee termination costs	$ 23,877,000
Facility exit costs	1,641,000
Long-lived asset impairments	7,287,000
Total	$ 32,805,000

The portion of this restructuring charge related to the Company's food packaging segment was $21,116,000 and the portion applicable to the protective and specialty packaging segment was $11,689,000.

The Company originally expected to incur $25,518,000 of cash outlays to carry out this restructuring program. Such cash outlays included primarily severance and other personnel-related costs as well as lease and other contractual arrangement termination costs. As of December 31, 2002, the Company had made total cash payments of approximately $17,600,000, of which approximately $11,779,000 were made in 2002 and $5,821,000 were made in 2001. The cash restructuring liability recorded in 2001 of $25,518,000 was adjusted in 2002 for a net credit of $1,348,000, discussed below. After such cash outlays and the net credit, the restructuring liability at December 31, 2002 was $6,570,000, representing cash outlays expected to be made in 2003 and future years, primarily for severance-related costs. The 2001 restructuring program was substantially completed at December 31, 2002.

The long-lived asset impairment of $7,287,000 included the following write-downs and write-offs:

		Year Ended December 31, 2001
Property, plant and equipment	$	3,877,000
Goodwill		3,342,000
Certain other long-lived assets		68,000
Total	$	7,287,000

These long-lived asset impairments related to decisions to rationalize and realign production of certain small product lines and to close several manufacturing and warehouse facilities in North America, Europe, South Africa and the Asia Pacific region. The annual reduction of depreciation and amortization expense as a result of such asset impairments was $365,000. The Company has disposed of all of the above property, plant and equipment.

During 2002, the Company made an adjustment to the original 2001 restructuring provision, resulting in a net credit to the consolidated statement of operations of $1,348,000. The portion of this net credit

related to the Company's food packaging segment amounted to a credit of $2,957,000, while the portion applicable to the protective and specialty packaging segment amounted to a charge of $1,609,000. Such adjustment resulted from the completion of certain actions for amounts different than expected, certain headcount reductions obtained through attrition, and the revision of a plan to shut down one of the Company's manufacturing facilities.

As a result of the 2002 adjustments to the 2001 restructuring program, the Company now expects a net reduction in headcount of approximately 440 positions. This program originally estimated a net headcount reduction of approximately 470. The revised net headcount reduction was reduced by approximately 30 positions that were eliminated by attrition. This net reduction consists of the elimination of 677 positions from all geographic areas in which the Company does business but primarily from its manufacturing, sales and marketing functions in North America and Europe. As of December 31, 2002, 657 of these 677 positions had been eliminated. The Company also anticipates the addition of 237 positions in connection with its realignment or relocation of certain manufacturing activities.

The Company estimates that approximately $23,000,000 in annualized cost savings (on a full year run rate basis) were realized by the end of 2002. The estimated annual cost savings include the $365,000 non-cash annual reduction of depreciation expense discussed above. Although certain cost aspects of the original program have been adjusted, the original cost saving targets have been maintained.

Operating Profit

Operating profit increased 33% in 2002 but decreased 17% in 2001. The increase in 2002 was primarily due to increased net sales, the discontinuance in 2002 of the amortization of goodwill and the restructuring and other charges incurred in 2001, while a restructuring credit was recorded in 2002. Excluding goodwill amortization in 2001 of $57,005,000 and restructuring and other credits in 2002 of $1,348,000 and restructuring and other charges in 2001 of $32,805,000, operating profit would have increased 8% in 2002. The decrease in 2001 was primarily due to the 2001 restructuring and other charges and the lower gross profit discussed above. As a percentage of net sales, operating profit was 16.1% in 2002, 12.6% in 2001 and 15.3% in 2000. Excluding goodwill amortization and restructuring and other (credits) charges, operating profit as a percentage of net sales was 16.1% in 2002, 15.6% in 2001 and 16.9% in 2000. In 2000, goodwill amortization was $51,776,000 and restructuring and other credits was $1,247,000.

The food packaging segment contributed 60%, 58% and 54% of the Company's operating profit in 2002, 2001 and 2000, respectively, before taking into consideration corporate operating expenses and restructuring and other (credits) charges. The Company's protective and specialty packaging segment contributed the balance of operating profit. Corporate operating expenses in 2001 and 2000 consisted primarily of goodwill amortization.

Asbestos Settlement and Related Costs

On November 27, 2002, the Company reached an agreement in principle with the appropriate parties to resolve all current and future asbestos-related claims made against it and its affiliates in connection with the Cryovac Transaction. The settlement will also resolve the fraudulent transfer claims, as well as indemnification claims by Fresenius, that had been made against the Company in connection with the

Cryovac Transaction. On December 3, 2002, the agreement in principle was approved by the Company's Board of Directors. The Company was advised that both of the Committees had approved the agreement in principle as of December 5, 2002. For a description of the Cryovac Transaction, asbestos-related claims and the parties involved, see "Other Matters — Cryovac Transaction" and "Other Matters — Contingencies Related to the Cryovac Transaction" below.

The Company recorded a charge of $850,118,000 as a result of the asbestos settlement in the consolidated statement of operations as of December 31, 2002. Such expense consisted of the following items:

- a non-cash charge of $512,500,000 covering a cash payment required to be made by the Company upon the effectiveness of a plan of reorganization in the bankruptcy of New Grace. Because it is uncertain when such a plan of reorganization may become effective, this liability has been recorded as a current liability on the consolidated balance sheet as of December 31, 2002. Under the terms of the settlement, this amount accrues interest at a 5.5% annual rate from December 21, 2002 to the date of payment. Such interest through December 31, 2002, amounted to $861,000 and is included in interest expense in the consolidated statement of operations and in other current liabilities in the consolidated balance sheet.

- a non-cash charge of $321,480,000 representing the fair market value of 9,000,000 shares of the Company's common stock reserved for issuance pursuant to such settlement upon the effectiveness of New Grace's plan of reorganization. Such shares are subject to customary anti-dilution provisions (including the effects of stock splits, stock dividends and certain other events affecting the Company's common stock). Such fair market value was $35.72 per common share as of the close of business on December 5, 2002. Such amount has been recorded in the consolidated balance sheet as of December 31, 2002 as follows: $900,000 representing the aggregate par value of such shares has been recorded in common stock reserved for issuance related to the asbestos settlement and the remaining $320,580,000, representing the excess of the aggregate fair market value over the aggregate par value of such common shares, has been recorded in additional paid-in capital. The shares of common stock reserved for issuance related to the asbestos settlement are not reflected in the 2002 loss per common share calculations since the effect would be anti-dilutive (i.e., would reduce the loss per common share).

- $16,138,000 of legal and related fees.

In 2001, other expense in the consolidated statement of operations included $11,995,000 of expense of which $8,149,000 was primarily a result of the Company's guarantee, entered into at the time of the Cryovac Transaction, of certain debt payable by W. R. Grace & Co. — Conn., which filed for reorganization along with New Grace, and $3,846,000 of legal and related fees.

Interest Expense and Other Income (Expense), net

Including 2002 interest expense relating to the asbestos settlement discussed above, interest expense decreased 15% in 2002 but increased 18% in 2001. The decrease in 2002 was primarily due to lower average levels of outstanding debt. The increase in 2001 was primarily due to higher average levels of debt outstanding during 2001 compared to the corresponding 2000 period primarily due to additional borrowings made in 2000 in connection with business acquisitions and stock repurchases made under the Company's stock repurchase program.

Other income (expense), net, consisted of income of $7,114,000 in 2002, expense of $1,546,000 in 2001 and income of $9,479,000 in 2000. The change in 2002 compared to 2001 was due to lower net foreign exchange losses during 2002. The change in 2001 compared to 2000 was primarily due to a one-time cash fee of $10,000,000 received in 2000 from a third party for the assignment of a contract.

Income Taxes

The Company's effective income tax rate was a benefit of 21.1% in 2002 compared to an expense of 47.3% in 2001 and 45.5% in 2000. The effective tax rate in 2002 was lower than 2001 due primarily to the impact of the asbestos settlement and its related costs and the discontinuance of goodwill

amortization in 2002. The effective tax rate in 2001 was higher than 2000 due primarily to lower earnings before income taxes.

In 2002, the effective tax rate was lower than the statutory U.S. federal income tax rate primarily due to the effect of the estimated tax benefit for the asbestos settlement. In 2001 and 2000, the effective tax rates were higher than the statutory U.S. federal income tax rate primarily due to the non-deductibility of goodwill amortization for tax purposes and, to a lesser extent, state income taxes.

Net (Loss) Earnings

As a result of the asbestos settlement and related costs of $850,118,000 in 2002, the Company had a net loss of $309,069,000 in 2002 compared to net earnings of $156,697,000 in 2001. Net earnings decreased 30% to $156,697,000 in 2001 compared to $225,319,000 in 2000. Excluding goodwill amortization of $57,005,000 and $51,776,000 in 2001 and 2000, respectively, net earnings would have been $213,702,000 in 2001 and $277,095,000 in 2000.

Basic (loss) earnings per common share were $(4.20) for 2002, $1.30 for 2001 and $2.47 for 2000. Diluted (loss) earnings per common share were $(4.30) for 2002, $1.22 for 2001 and $1.93 for 2000. Excluding goodwill amortization in 2001 and 2000, basic earnings per common share would have been $1.99 and $3.08, respectively, and diluted earnings per common share would have been $1.89 and $2.52 in 2001 and 2000, respectively.

The basic earnings per common share calculations for 2002, 2001 and 2000 include $0.12, $0.09 and $0.54 per share of gains (excess of book value over repurchase price of preferred stock), respectively, attributable to the repurchase of preferred stock in the period. To calculate diluted earnings per common share, the excess of book value over the repurchase price of the Company's Series A Preferred Stock in 2002, 2001 and 2000 of $10,291,000, $7,456,000 and $45,283,000, respectively, were excluded from the calculations.

The diluted earnings per common share in each period were calculated assuming conversion of the shares of preferred stock repurchased during each of the respective periods in accordance with the Financial Accounting Standards Board's Emerging Issues Task Force Topic D-53 guidance. The effect of the conversion of the Company's outstanding convertible preferred stock was not considered in the calculations of diluted earnings per common share for any of the 2002, 2001 and 2000 periods presented because the effect would be antidilutive, since such assumed conversions may be included only if the resulting impact would dilute earnings per common share.

Liquidity and Capital Resources

The Company's principal sources of liquidity are cash flows from operations and amounts available under the Company's existing lines of credit, which are described below.

Asbestos Settlement

As noted above, the Company recorded a non-cash charge of $512,500,000 in 2002 covering a cash payment required to be made by the Company upon the effectiveness of a plan of reorganization in the bankruptcy of New Grace. No cash was used in 2002 with respect to this liability, and it is currently uncertain when the Company will be required to make this payment. The Company currently expects to fund this payment either by using accumulated cash and future cash flows from operations, from the proceeds of future financings or from a combination of such alternatives.

Operating Activities

Net cash provided by operating activities was $323,939,000 in 2002, $578,693,000 in 2001 and $329,413,000 in 2000. The decrease in 2002 was primarily due to the following:

- changes in receivables interests sold under the Receivables Facility (described below); at December 31, 2002 the financial institutions participating in the facility held no interests in the Company's U.S. accounts receivable while at December 31, 2001, those institutions held $95,600,000 of such interests; and

- changes in operating assets and liabilities in the ordinary course of business, as discussed below under "Changes in Working Capital";

partially offset by:

- increased earnings, excluding the non-cash impact of the asbestos settlement.

The increase in 2001 was primarily due to the following:

- changes in operating assets and liabilities in the ordinary course of business, as discussed below under "Changes in Working Capital"; and

- the implementation of the Receivables Facility in 2001 (described below);

partially offset by:

- the Company's lower net earnings in 2001.

Investing Activities

Net cash used in investing activities amounted to $96,888,000 in 2002, $177,932,000 in 2001 and $348,989,000 in 2000. In each year, investing activities consisted primarily of capital expenditures and acquisitions. The decrease in net cash used in these activities in 2002 was due to lower levels of capital expenditures and, to a lesser extent, acquisitions. The decrease in net cash used in 2001 was due to a lower level of acquisition activity, partially offset by a higher level of capital expenditures. In 2002, cash used to complete acquisitions was $10,465,000 compared to $36,007,000 in 2001 and $237,541,000 in 2000. In each year, cash used for acquisitions was net of cash acquired in those acquisitions. Cash acquired in acquisitions was not material in 2002 or 2001 and was $8,589,000 in 2000. The Company did not assume any debt in acquisitions in 2002. In 2001 and 2000, the Company assumed approximately $19,000,000 and $16,600,000, respectively, of debt in acquisitions.

Capital Expenditures

Capital expenditures were $91,625,000 in 2002, $146,277,000 in 2001 and $114,197,000 in 2000. Capital expenditures for the Company's food packaging segment amounted to $61,823,000, $103,837,000 and $75,773,000 and for the protective and specialty packaging segment amounted to $29,802,000, $42,440,000 and $38,424,000 in 2002, 2001 and 2000, respectively.

The decrease in capital expenditures in 2002 was primarily due to improved productivity of existing assets allowing the Company to defer spending on incremental capacity. The increase in capital expenditures in 2001 compared to 2000 was primarily due to the management of capital planning and project spending. The Company currently anticipates that capital expenditures for the year ended December 31, 2003 will be in the range of $125,000,000 to $150,000,000.

Financing Activities

Net cash used in financing activities amounted to $101,501,000 in 2002 and $402,583,000 in 2001, while net cash provided by financing activities amounted to $7,671,000 in 2000. The Company continued to

reduce outstanding debt in 2002 and made net debt repayments of $35,752,000 compared to $312,907,000 in 2001. During 2001, the Company paid off the predecessor of the 364-Day Facility (defined below) and most of the borrowings under the 2003 Facility (also defined below), which resulted in lower outstanding bank borrowings at December 31, 2001. All remaining borrowings under the 2003 Facility were paid off during 2002. The 2002 period also reflects a timing difference relating to the payment of dividends on the Company's outstanding Series A convertible preferred stock, partially offset by an increase in cash used to repurchase shares of the Company's preferred stock. Such timing difference on the dividends arose from the Company's pre-funding in December 2001 of the dividend payable on January 2, 2002. The aggregate dollar amount of that dividend was approximately $13,682,000. The Company funded the remaining dividends payable on such preferred stock in 2002 on the payment dates, which were the first business days of each calendar quarter.

The increase in net cash used in financing activities in 2001 reflected primarily net debt repayments of $312,907,000 and the timing difference relating to the payment of dividends on the Company's outstanding Series A convertible preferred stock, discussed above, partially offset by a decrease in cash used to purchase the Company's capital stock. Proceeds from long-term debt in 2001 included $295,773,000 of net proceeds from the issuance on June 26, 2001 of $300,000,000 aggregate principal amount of 8.75% Senior Notes due July 1, 2008 (the "8.75% Senior Notes").

Included in financing activities in 2002, 2001 and 2000 are proceeds from the exercise of stock options of $917,000, $504,000 and $861,000, respectively. These stock options were granted prior to 1998 and were exercised pursuant to plans in which certain employees of the Cryovac packaging business participated. The stock option plans were terminated effective March 31, 1998 in connection with the Cryovac Transaction, except with respect to options that were still outstanding as of such date.

Repurchases of Capital Stock

During 2002, the Company repurchased 782,500 shares of its preferred stock at a cost of approximately $28,834,000. During 2001, the Company repurchased 524,220 shares of its preferred stock at a cost of approximately $18,754,000. During 2000, the Company repurchased 7,384,637 shares of its preferred stock and 494,737 shares of its common stock at a cost of approximately $323,948,000 and $22,873,000, respectively. The average price per share of these preferred stock repurchases was $36.85, $35.78 and $43.87 in 2002, 2001 and 2000, respectively. The average price per share of the common stock repurchases in 2000 was $46.23.

The share repurchases described above were made pursuant to programs previously adopted by the Company's Board of Directors. The currently effective share repurchase program authorizes the repurchase of up to 16,977,000 shares of common stock (including Series A convertible preferred stock on an as-converted basis). As of December 31, 2002, approximately 9,452,000 shares of common stock on an as-converted basis had been repurchased, and approximately 7,525,000 shares remain authorized for repurchase.

Changes in Working Capital

At December 31, 2002, the Company's working capital was a net liability of $96,496,000, primarily due to recording as a current liability the $512,500,000 portion of the asbestos settlement liability to be funded in cash, compared to working capital that was a net asset of $149,372,000, or 4% of total assets, at December 31, 2001.

The other changes to working capital, excluding the asbestos settlement liability, were primarily the following changes in the ordinary course of business:

- increase in other current liabilities, primarily due to the timing of payments, which included payroll-related costs, customer volume rebates, income taxes payable and the dividend payable on January 2, 2002 on the Company's outstanding Series A convertible preferred stock discussed above, partially offset by a decrease in the restructuring liability due to cash payments of approximately $11,779,000 made during 2002;

- increase in accounts payable, partially due to the timing of payments to vendors and to a lesser extent, the increased levels of inventory as discussed below;

partially offset by:

- increase in cash;
- increase of approximately $128,600,000 in notes and accounts receivable primarily due to activities under the Receivables Facility (described below) and, to a lesser extent, increased net sales during the fourth quarter of 2002 compared to the fourth quarter of 2001;
- increase in inventory, primarily due to increased raw material prices; and
- decrease in short-term borrowings, primarily due to changes in short-term liquidity requirements, including the refinancing of certain short-term borrowings with long-term debt.

Current and Quick Ratios

The ratio of current assets to current liabilities (current ratio) was 0.9 at December 31, 2002 and 1.2 at December 31, 2001. The ratio of current assets less inventory to current liabilities (quick ratio) was 0.6 at December 31, 2002 and 0.8 at December 31, 2001.

Accounts Receivable Facility

In December 2001, the Company and certain of its U.S. subsidiaries entered into an accounts receivable securitization program (the "Receivables Facility") with a bank (the "Bank") and an issuer of commercial paper administered by the Bank (the "ICP"). Under the Receivables Facility, the Company's two primary operating subsidiaries, Cryovac, Inc. and Sealed Air Corporation (US) (the "Originators"), sell all of their eligible U.S. accounts receivable to Sealed Air Funding Corporation ("SA Funding Corp."), an indirectly wholly-owned subsidiary of the Company that was formed for the sole purpose of entering into the Receivables Facility. SA Funding Corp. in turn may sell undivided ownership interests in these receivables ("Receivables Interests") to the Bank and the ICP, subject to certain conditions, up to a maximum of $125,000,000 of Receivables Interests outstanding from time to time.

SA Funding Corp. retains the receivables it purchases from the Originators, except those as to which Receivables Interests are sold by it to the Bank or the ICP. Sales of accounts receivable by the Originators to SA Funding Corp. and sales of Receivables Interests from SA Funding Corp. to the Bank and the ICP have been structured as "true sales" under applicable laws, and the assets of SA Funding Corp. are not available to pay any creditors of the Company or of its subsidiaries or affiliates. These transactions are accounted for as sales of receivables under the provisions of SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities."

In order to secure the performance of their obligations under the Receivables Facility, SA Funding Corp. and the Originators granted a first priority security interest to the Bank, as agent, in certain collateral, including accounts receivable owned by them and proceeds and collections of those receivables. The Bank and the ICP have no recourse to the Company's, the Originators' or SA Funding Corp.'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 Facility has not occurred, the Originators service, administer and collect the receivables under the Receivables Facility as agent on behalf of SA Funding Corp., the Bank and the ICP. Prior to a termination event under the Receivables Facility, collections of receivables not otherwise required to

be paid to the Bank or the ICP are used by SA Funding Corp. to purchase new eligible receivables from the Originators. The Company has undertaken to cause the Originators to perform their obligations under the Receivables Facility.

The scheduled expiration date for the Receivables Facility is December 7, 2004. The Bank has extended its commitment to make purchases of Receivables Interests from SA Funding Corp. from December 7, 2002 to January 26, 2004. However, under the terms of the extension, SA Funding Corp. may not sell any Receivables Interests to the Bank or the ICP until a definitive settlement agreement, satisfactory to the Bank, has been entered into relating to the asbestos settlement.

Under certain limited circumstances, the Bank and the ICP can terminate purchases of Receivables Interests prior to the above dates. Events that could result in termination of the Receivables Facility include a downgrade of the Company's long-term senior unsecured debt to BB- or below by Standard & Poor's Rating Services ("Standard & Poor's") or Ba3 or below by Moody's Investors Service, Inc. ("Moody's"), and failure to comply with interest coverage and debt leverage ratios. In connection with recording the accounting charge in the fourth quarter of 2002 for the asbestos settlement and related costs, the Company requested and received a waiver of compliance with the interest coverage and leverage ratios provided for in the Receivables Facility. After reflecting such waiver, the Company was in compliance with the requirements of the Receivables Facility as of December 31, 2002. Since such waiver was as of December 31, 2002, the Company anticipates that it will request a waiver or amendment for future applicable periods.

The Receivables Facility provides for the payment from time to time of program fees which, after the Bank's extension of the Facility to January 2004, were 0.45% per annum (0.375% per annum at December 31, 2002) on the Receivables Interests sold by SA Funding Corp. and commitment fees which were 0.40% per annum (0.325% per annum at December 31, 2002) on the unused portion of the $125,000,000 Receivables Facility.

During 2002, SA Funding Corp. sold Receivables Interests to the ICP from time to time; however, as of December 31, 2002, neither the Bank nor the ICP held any Receivables Interests.

In December 2001, receivables sold by the Originators to SA Funding Corp. amounted to approximately $176,900,000. SA Funding Corp. in turn sold Receivables Interests of $95,600,000 under the Receivables Facility, and this amount was removed from the Company's consolidated balance sheet. This amount was used to pay down certain of the Company's outstanding borrowings. SA Funding Corp. retained the remaining $81,300,000 of receivables that it acquired from the Originators. These retained receivables at December 31, 2001 were included in notes and accounts receivable on the Company's consolidated balance sheet. The carrying amount of the retained receivables approximates fair value because of the relatively short-term nature of the receivables.

The costs associated with the Receivables Facility are included in other income (expense), net in the Company's consolidated statements of operations for the years ended December 31, 2002 and 2001. These costs primarily relate to the loss on the sale of the Receivables Interests to the Bank or the ICP, which were approximately $409,000 and $75,000 for 2002 and 2001, respectively, and program and commitment fees and other associated costs, which were approximately $400,000 and $343,000 for 2002 and 2001, respectively.

The Company considers that, when available, the Receivables Facility provides an additional source of short-term liquidity to the Company.

Outstanding Indebtedness

At December 31, 2002 and 2001, the Company's total debt outstanding consisted of the amounts set forth on the following table (amounts in table in thousands of dollars):

	December 31, 2002	December 31, 2001
Short-term borrowings and current portion of long-term debt:		
Short-term borrowings	$ 53,355	$ 135,548
Current portion of long-term debt	2,049	1,943
Total current debt	55,404	137,491
Long-term debt, less current portion:		
Revolving Credit Agreement due March 2003	—	7,539
5.625% Euro Notes due July 2006, less discount of $790 and $844 in 2002 and 2001, respectively(1)	205,228	175,666
8.75% Senior Notes due July 2008, less discount of $1,201 and $3,999 in 2002 and 2001, respectively	298,799	296,001
6.95% Senior Notes due May 2009, less discount of $1,550 and $1,736 in 2002 and 2001, respectively	298,450	298,264
Other	65,553	10,641
Total long-term debt, less current portion	868,030	788,111
Total debt	$ 923,434	$ 925,602

(1) The carrying value of the Euro Notes increased approximately $29,000, primarily as a result of the strengthening of the euro compared to the U.S. dollar during 2002.

In March 2002, the Company refinanced a portion of its short-term borrowings in Australia and New Zealand under an Australian dollar 175,000,000 (approximately U.S. $92,300,000 at the then current exchange rate) dual-currency revolving credit facility that expires on March 12, 2005 (the "ANZ Facility"). This facility was made available to certain of the Company's Australian and New Zealand subsidiaries by a syndicate of banks, and such borrowings are guaranteed by the Company. The amount outstanding under this facility at December 31, 2002 was approximately $57,500,000. Such amount is included in other long-term debt in the table above.

Substantially all the Company's short-term borrowings of $53,355,000 at December 31, 2002 were outstanding under lines of credit available to various of the Company's U.S. and foreign subsidiaries. Amounts available under these credit lines as of December 31, 2002 and 2001 were approximately $209,000,000 and $326,000,000, respectively, of which approximately $155,000,000 and $190,000,000, respectively, were unused.

At December 31, 2002 and 2001, the Company had available committed and uncommitted lines of credit, including the credit lines discussed above, of approximately $832,000,000 and $1,046,000,000, respectively, of which approximately $721,000,000 and $903,000,000 respectively, were unused. Such credit lines include amounts available under the 2003 Facility (defined below), the 364-Day Facility (defined below) at December 31, 2001 and other lines of credit available to the Company's subsidiaries. As of December 31, 2002, the total lines of credit of $832,000,000, include committed lines of credit of approximately $622,000,000 and uncommitted lines of credit of approximately $210,000,000. Such committed lines of credit primarily include the 2003 Facility and the ANZ Facility. The Company is not subject to any material compensating balance requirements in connection with its lines of credit.

At December 31, 2002, the Company's principal revolving credit facility was a $525,000,000 facility that expires on March 30, 2003 (the "2003 Facility"). The Company has considered various financing

alternatives for the replacement of the 2003 Facility. The Company believes that its current financial resources and cash flows do not require that the Company replace the 2003 Facility, since its net cash provided by operating activities, net of cash used in investing activities, together with its cash on hand and amounts available under other committed lines of credit, are adequate to meet its current operating and investing needs as well as to pay its current debt obligations at December 31, 2002 of $55,404,000. In 2002, the Company's operating activities provided net cash of $323,939,000, and its investing activities used net cash of $96,888,000. While the Company expects it will be able to obtain any additional financing required for general corporate needs, including the funding of the cash payment for the asbestos settlement when it is required to be made upon the effectiveness of a plan of reorganization in the bankruptcy of New Grace, there can be no assurance that such financing will be available to the Company on commercially favorable terms.

As of December 31, 2002, facility fees were payable at the rate of 0.095% per annum under the 2003 Facility on the total amounts available under the credit facility. The obligations under the 2003 Facility bear interest at floating rates. The floating rates are generally determined by adding the applicable borrowing margin to the interbank rate for the relevant currency and time period. The weighted average interest rate for outstanding borrowings under the 2003 Facility was approximately 4.2% at December 31, 2001. There were no borrowings outstanding under the 2003 Facility as of December 31, 2002.

The 2003 Facility provides for changes in borrowing margins based on the Company's long-term senior unsecured debt ratings and certain financial criteria. The 2003 Facility, the ANZ Facility, the Euro Notes, the 8.75% Senior Notes and the 6.95% Senior Notes impose limitations on the operations of the Company and certain of its subsidiaries. These limitations include, depending upon the debt in question, financial covenants relating to interest coverage and debt leverage as well as restrictions on the incurrence of additional indebtedness, the creation of liens, sale and leaseback transactions, mergers and acquisitions and certain dispositions of assets. In connection with recording the accounting charge in the fourth quarter of 2002 for the asbestos settlement and related costs, the Company requested and received a waiver of compliance with the interest coverage and leverage ratios provided for in the 2003 Facility. After reflecting such waiver, the Company was in compliance with the requirements of each of the above instruments as of December 31, 2002.

The Company had a 364-day $194,375,000 revolving credit facility (the "364-Day Facility") that the Company allowed to expire on March 22, 2002. No borrowings were outstanding under this Facility at the time of its expiration or at December 31, 2001.

The Company's cost of capital and ability to obtain external financing may be affected by its debt ratings, which are periodically reviewed by the credit rating agencies. The Company's long-term senior unsecured debt is currently rated Baa3 (negative outlook) by Moody's and BBB (credit watch with negative implications) by Standard & Poor's. These ratings are among the ratings assigned by each of these organizations for investment grade long-term senior unsecured debt. A security 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.

In June 2002, the Company entered into two interest rate swap agreements (with a total notional amount of $50,000,000) that were qualified and designated as fair value hedges in accordance with SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities", as amended by SFAS No. 137 and SFAS No. 138. These agreements were entered into in order to, among other things, convert a portion of the 8.75% Senior Notes fixed rate debt into floating rate debt. During September 2002, the Company terminated these swaps and reflected a basis adjustment to the 8.75% Senior Notes for a portion of the cash received of approximately $2,416,000. Such amount is being amortized and reflected as a component of interest expense over the remaining life of the 8.75%

Senior Notes. The Company was not party to any interest rate swap agreements at December 31, 2002 or 2001.

The following table summarizes the Company's material contractual obligations at December 31, 2002, that require cash outlays in 2003 and future years (amounts in table in thousands of dollars):

Payments Due by Period

	Total	2003	2004-2005	2006-2007	Thereafter
Short-term borrowings	$ 53,355	$ 53,355	$ —	$ —	$ —
Current portion of long-term debt	2,049	2,049	—	—	—
Long-term debt, exclusive of debt discounts	871,571	—	61,986	208,302	601,283
Total debt(1)	926,975	55,404	61,986	208,302	601,283
Series A convertible preferred stock(2)	2,136,478	53,080	106,160	106,160	1,871,078
Operating leases	88,383	23,758	32,722	19,780	12,123
Cash portion of the asbestos settlement, including accrued interest as of December 31, 2002(3)	513,361	513,361	—	—	—
Long-term equipment purchases for resale	36,000	3,500	8,400	10,500	13,600
Raw material contingent payment	9,500	—	—	—	9,500
Total contractual cash obligations	$ 3,710,697	$ 649,103	$ 209,268	$ 344,742	$ 2,507,584

(1) Includes principal maturities only.

(2) Assumes dividends are declared and paid each quarter until March 31, 2018, based on shares outstanding at December 31, 2002, and that no shares are converted to common stock or otherwise retired. The total cash outlay of $2,136,478 includes $1,327,005 for the $50.00 per share redemption value and $809,473 for the amount of the dividends assumed to be declared and paid each quarter until March 31, 2018.

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

In addition to the obligation to pay the principal amount of the debt obligations discussed above, the Company is obligated under the terms of various leases covering many of the facilities that it occupies, substantially all of which are accounted for as operating leases. The contractual operating lease obligations listed in the table above represent estimated future minimum annual rental commitments under non-cancelable real property leases as of December 31, 2002. The long-term debt shown in the above table excludes unamortized bond discounts as of December 31, 2002 and therefore represents the principal amount of such debt required to be repaid in each period. The Series A convertible preferred stock in the table above is subject to mandatory redemption on March 31, 2018 at $50.00 per share, plus any accrued and unpaid dividends, to the extent these shares remain outstanding. These shares receive a cumulative cash dividend, as declared by the Board of Directors, at an annual rate of $2.00 per share, payable quarterly in arrears, until mandatory redemption on March 31, 2018. See below under "Series A Convertible Preferred Stock" for further discussion.

As described above in "Asbestos Settlement and Related Costs", the Company recorded a current liability of $512,500,000 for the cash portion to be paid, plus accrued interest at a 5.5% annual rate, which started on December 21, 2002. The Company is required to make such payment upon the effectiveness of a plan of reorganization in the bankruptcy of New Grace. Because it is uncertain when such a plan of reorganization may become effective, this liability has been recorded as a current liability on the consolidated balance sheet as of December 31, 2002. The Company currently expects to

fund this payment either by using accumulated cash and future cash flows from operations, from the proceeds of future financings or from a combination of such alternatives.

The Company entered into the following long-term commitments during 2002:

- Approximately $36,000,000 for the purchase of certain equipment over an eight-year period beginning in 2003, together with a potential termination fee in an amount to be determined. The Company's obligation is reduced or increased based on market price changes for the equipment and certain indexes. Failure to purchase any of the minimum annual requirements in any year obligates the Company to pay an amount of 45% of such shortfall.

- Approximately $9,500,000 to a supplier if the Company fails to purchase 142,700,000 pounds of certain raw materials, at the then current market price, over a ten-year period that began in May, 2002. The amount of the potential contingent payment declines in proportion to the Company's purchase of minimum quantities required under the contract. At December 31, 2002, the Company's purchases were in line with the minimum quantity requirements under the agreement.

Derivative Financial Instruments

At December 31, 2002 and 2001 the Company was party to foreign currency forward contracts, which did not have a significant impact on the Company's liquidity. For further discussion about these contracts and other financial instruments, see Item 7A. Other

Matters — Quantitative and Qualitative Disclosures about Market Risk.

Series A Convertible Preferred Stock

The Company's Series A preferred stock is listed on the New York Stock Exchange and is convertible at any time into approximately 0.885 of a share of common stock for each share of preferred stock. These shares vote with the common stock on an as-converted basis and are entitled to receive cumulative cash dividends, when and as declared by the Board of Directors, at an annual rate of $2.00 per share, payable quarterly in arrears on the first business day of the succeeding calendar quarter. The Series A preferred stock ranks senior to the Company's common stock and junior to the Company's indebtedness. On and after March 31, 2003, the Series A preferred stock is redeemable at the option of the Company at a price of $51.00 per share declining ratably on each March 31 thereafter to $50.00 per share on and after March 31, 2008, plus any accrued and unpaid dividends. The Series A preferred stock is subject to mandatory redemption on March 31, 2018 at $50.00 per share, plus any accrued and unpaid dividends, to the extent these shares remain outstanding. Because it is subject to mandatory redemption, the Series A convertible preferred stock is classified outside of the shareholders' equity section of the consolidated balance sheets. At its date of issuance, the fair value of the Series A preferred stock exceeded its mandatory redemption amount primarily due to the common stock conversion feature. Accordingly, the book value of the Series A preferred stock is reflected in the consolidated balance sheets at its mandatory redemption value.

Shareholders' Equity

The Company's shareholders' equity was $812,960,000 at December 31, 2002, $850,152,000 at December 31, 2001 and $753,129,000 at December 31, 2000.

Shareholders' equity decreased in 2002 due to the following:

- a reduction in retained earnings arising from the Company's net loss of $309,069,000 and preferred stock dividends of $53,845,000;
- additional foreign currency translation adjustments of $14,508,000;

  partially offset by:
- the $321,480,000 value of the 9,000,000 shares of common stock reserved for issuance related to the asbestos settlement; and
- the excess of book value over the repurchase price of $10,291,000 recognized in connection with preferred stock repurchases.

Shareholders' equity increased in 2001 due to the following:

- net earnings of $156,697,000;
- the excess of book value over the repurchase price of $7,456,000 recognized in connection with preferred stock repurchases;

  partially offset by:
- preferred stock dividends of $55,024,000; and
- additional foreign currency translation adjustments of $19,931,000.

Other Matters

Cryovac Transaction

On March 31, 1998 the Company completed a multi-step transaction (the "Cryovac Transaction"), which brought the Cryovac packaging business and the former Sealed Air Corporation ("old Sealed Air") 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 Cryovac packaging business, held by various direct and indirect subsidiaries of the Company, was separated from the remaining businesses of the Company. Such remaining businesses were then contributed to a company now known as W. R. Grace & Co. ("New Grace"), whose shares were distributed to the Company's stockholders. As a result, New Grace 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 old Sealed Air, which changed its name to Sealed Air Corporation (US). The agreements pursuant to which the Cryovac Transaction was carried out are referred to below as the "Transaction Agreements."

Contingencies Related to the Cryovac Transaction

In connection with the Cryovac Transaction, New 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. The liabilities retained by New Grace include, among others, liabilities relating to asbestos-containing products previously manufactured or sold by New 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 New Grace since the Cryovac Transaction. The Transaction Agreements provided that, should any claimant seek to hold the Company, including any of its subsidiaries, responsible for liabilities of New Grace or its subsidiaries, including such asbestos-related liabilities, New Grace and its subsidiaries would indemnify and defend the Company.

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

While the allegations in these actions directed to the Company vary, these actions all appear to allege that the transfer of the Cryovac business as part of the Cryovac Transaction was a fraudulent transfer or gave rise to successor liability. Under a theory of successor liability, plaintiffs with claims against New Grace and its subsidiaries may attempt to hold the Company liable for liabilities that arose with respect to activities conducted prior to the Cryovac Transaction by W. R. Grace & Co. — Conn. or other New 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 any transfers in connection with the Cryovac Transaction were found by a court to be fraudulent transfers, the Company could be required to return the property or its value to the transferor or could be required to fund certain liabilities of New Grace or its subsidiaries for the benefit of their creditors, including asbestos claimants. The Company has reached an agreement in principle, described below, that will resolve all such claims. Previously, the Company was unable to estimate the loss or range of loss in the event that there had been a finding that the Cryovac Transaction was a fraudulent transfer or gave rise to successor liability.

In the Joint Proxy Statement furnished to their respective stockholders in connection with the Cryovac Transaction, both Sealed Air and Grace stated that it was their belief that New Grace and its subsidiaries were adequately capitalized and would be adequately capitalized after the Cryovac Transaction and that none of the transfers contemplated to occur in the Cryovac Transaction would be a fraudulent transfer. They also stated their belief that the Cryovac Transaction complied with other relevant laws. However, if a court applying the relevant legal standards had reached conclusions adverse to the Company, such determination could have had a materially adverse effect on the Company's consolidated results of operations and financial position.

On April 2, 2001, New Grace and certain of its subsidiaries filed a petition for reorganization under Chapter 11 of the U.S. Bankruptcy Code in the U.S. Bankruptcy Court in the District of Delaware. New 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, New Grace filed an application with the Bankruptcy Court seeking to stay, among others, all actions brought against the Company (including certain of its subsidiaries) related to alleged asbestos liabilities of New 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 all such filed or pending actions against the Company were stayed and all such future actions are stayed upon filing and service on the Company. No further proceedings involving the Company can occur in the actions that have been stayed except upon further order of the Bankruptcy Court.

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

In June 2002, the court permitted the U.S. government to intervene as a plaintiff in the fraudulent transfer proceeding, so that the U.S. government could pursue allegations that remediation expenses at certain sites were underestimated or omitted in the solvency analyses of New Grace that were conducted at the time of the Cryovac Transaction. The court also permitted New 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 certain limitations, post-1998 claims should be considered in the solvency analysis of New Grace. The Company believes that only claims and liabilities that were known or reasonably should have been known at the time of the 1998 Cryovac Transaction should be considered pursuant to the applicable standard. The trial was scheduled to commence December 9, 2002.

On November 27, 2002, the Company reached an agreement in principle with the Committees prosecuting the claims against the Company and Cryovac, Inc., to resolve all current and future asbestos-related claims arising from the Cryovac Transaction. On the same day, the court entered an order confirming that an amicable resolution of the disputes among the parties had been reached and that counsel for the Company and the Committees had agreed and bound the parties to the terms of the agreement in principle. As discussed above, the agreement in principle calls for payment of 9,000,000 shares of Sealed Air common stock and $512,500,000 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 the New Grace plan of reorganization, when payment must be made. Such shares are subject to customary anti-dilution provisions (including the effects of stock splits, stock dividends and certain other events affecting the Company's common stock). Pursuant to the agreement, the Company cannot seek indemnity from New Grace for this payment. On December 3, 2002, the agreement in principle was approved by the Company's Board of Directors. The Company was advised that both of the Committees had approved the agreement in principle as of December 5, 2002. The parties are jointly engaged in the process of drafting a definitive settlement agreement consistent with the terms of the agreement in principle. Once signed by the appropriate parties, the settlement agreement will be presented to the court for approval and will eventually be incorporated into New Grace's plan of reorganization and, assuming approval by New Grace's creditors as part of the approval of the plan of reorganization, will then be implemented.

The settlement, upon approval and implementation in the New Grace bankruptcy, will provide that, upon the effective date of New Grace's plan of reorganization and payment of the shares and cash, all present and future asbestos-related claims against the Company and its affiliates that arise from alleged asbestos liabilities of New Grace and its affiliates (including former affiliates that became affiliates of the Company through the Cryovac Transaction) will be channeled to and become the responsibility of one or more trusts to be established as part of New Grace's plan of reorganization. The settlement will also resolve all fraudulent transfer claims against the Company and its affiliates arising from the Cryovac Transaction as well as the claims of Fresenius described below. The settlement will provide that the Company and its affiliates will receive releases of all such claims. As a condition to the Company's obligation to make the payments required by the settlement, New Grace's plan of reorganization must be consistent with the terms of the settlement, including provisions for the trusts and releases referred to above and for an injunction barring the prosecution of any asbestos-related

claims against the Company and its affiliates. It is expected that the order approving the settlement agreement will also provide that the stay of proceedings involving the Company described above will continue through the effective date of New Grace's plan of reorganization, after which the Company will be released from the liabilities asserted in those proceedings and their continued prosecution against the Company will be enjoined.

In January 2002, the Company filed a declaratory judgment action against Fresenius Medical Care Holdings, Inc., its parent, Fresenius AG, a German company, and certain of its affiliates (collectively, "Fresenius") in New York State court asking the court to resolve a contract dispute between the parties. Fresenius contended that the Company was obligated to indemnify Fresenius for certain liabilities that Fresenius might incur as a result of the 1996 Fresenius transaction mentioned above. Fresenius's contention was based on its interpretation of the agreements between Fresenius and W. R. Grace & Co. — Conn. in connection with the 1996 Fresenius transaction. In February 2002, Fresenius announced that it had accrued a charge of $172,000,000 for such potential liabilities, which include pre-transaction tax liabilities of New Grace and the costs of defense of litigation arising from New Grace's Chapter 11 filing. The Company believed that it was not responsible to indemnify Fresenius under the 1996 agreements and filed the action in order to proceed to a resolution of Fresenius's claims. In April 2002, Fresenius filed a motion to dismiss the action and for entry of declaratory relief in its favor. The Company opposed the motion, and in June 2002, the court reserved decision after oral argument. No written order has been issued, and the parties have requested the court to defer issuing a ruling pending implementation of the definitive settlement agreement between the Company and the Committees. As noted above, as a result of the November 27, 2002 agreement in principle referred to above, the parties expect that there will be mutual releases exchanged between Fresenius and the Company releasing any and all claims related to the 1996 Fresenius transaction.

In view of New Grace's Chapter 11 filing, the Company may receive additional claims asserting that the Company is liable for obligations that New Grace had agreed to retain in the Cryovac Transaction and for which the Company may be contingently liable. To date, no material additional claims have been asserted or threatened against the Company.

Final determinations and accountings under the Transaction Agreements with respect to matters pertaining to the Cryovac Transaction had not been completed at the time of New Grace's Chapter 11 filing. The Company expects to file a claim in the bankruptcy proceeding that will include all of the costs and liabilities that it has incurred or may incur that New Grace agreed to retain or that are subject to indemnification by New Grace under the Transaction Agreements other than payments to be made under the settlement agreement. New Grace alleges that the Company is responsible for certain amounts under the Transaction Agreements. Any amounts for which the Company may be liable to New Grace may be used to offset New Grace's liabilities to the Company. Costs and liabilities for which the Company intends to seek indemnification by New Grace will also include certain defense costs related to asbestos and fraudulent transfer litigation and the Fresenius claims, the guaranteed debt paid by the Company described above, and any of the other potential claims against the Company mentioned above. Except to the extent of any potential setoff or similar claim, the Company expects that its claim will be as an unsecured creditor of New Grace. It is not currently possible to determine the amount of the Company's claim against New Grace, the extent to which such claim may be secured by setoff, how much of that claim may be allowed, or the amount of the Company's recovery on such claim, if any, in the bankruptcy proceeding.

Environmental Matters

The Company is subject to loss contingencies resulting from environmental laws and regulations, and it accrues 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. Environmental liabilities are reassessed whenever circumstances become better defined or remediation efforts and their costs can be better estimated. These liabilities are evaluated 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, the Company adjusts the recorded accruals, as necessary. The Company believes that such exposures are not material to the Company's consolidated results of operations and financial position. The Company believes that it has adequately reserved for all probable and estimable environmental exposures.

Recently Issued Statements of Financial Accounting Standards

In July 2001, the Financial Accounting Standards Board ("FASB") issued SFAS No. 141, "Business Combinations" ("SFAS No. 141"), and SFAS No. 142, "Goodwill and Other Intangible Assets" ("SFAS No. 142"). SFAS No. 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001 as well as all purchase method business combinations completed after June 30, 2001. SFAS No. 142 requires that goodwill and intangible assets with indefinite useful lives no longer be amortized, but instead be tested for impairment at least annually in accordance with the provisions of SFAS No. 142. This new standard also requires that intangible assets with definite useful lives be amortized over their respective estimated useful lives to their estimated residual values, and reviewed for impairment in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." The Company adopted the provisions of SFAS No. 141 upon issuance and adopted SFAS No. 142 effective January 1, 2002. Any goodwill and any intangible assets determined to have an indefinite useful life that were acquired in a purchase business combination completed after June 30, 2001 were not amortized, but were evaluated for impairment. Goodwill and intangible assets acquired in business combinations completed before July 1, 2001 were amortized through the end of 2001.

In connection with the transitional impairment evaluation, SFAS No. 142 required the Company to assess whether goodwill and other intangible assets were impaired as of January 1, 2002. As required by this statement, the Company completed its assessment process on a reporting unit basis as of June 30, 2002 and determined that no impairment charge was necessary as of January 1, 2002. 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 such businesses have economic characteristics that are different from the economic characteristics of the other components of the operating segments, in which case such component is the reporting unit. A fair value approach is used to test goodwill for impairment. An impairment charge is recognized for the amount, if any, by which the carrying amount of goodwill exceeds its fair value. An estimate of fair values for the Company as a whole and each of the Company's reporting units was derived by using discounted cash flows, equity market capitalization and comparative market multiples.

As of December 31, 2002 and 2001, the Company had unamortized goodwill in the amount of $1,926,244,000 and $1,913,000,000, respectively. Amortization expense related to goodwill was $57,005,000 and $51,776,000 in 2001 and 2000, respectively. Beginning January 1, 2002, in accordance with SFAS No. 142, the Company is no longer recording amortization expense related to goodwill. Although goodwill will no longer be systematically amortized, this statement requires that periodic reviews be conducted to assess whether or not the carrying amount of goodwill may be impaired. Such reviews could result in future write-downs of goodwill which would be reflected as a charge against operating income.

As required by SFAS No. 142, goodwill and intangible assets with indefinite useful lives have to be tested for impairment at least annually in accordance with the provisions of SFAS No. 142. The

Company completed its annual testing for impairment for 2002 during the fourth quarter of 2002 and determined that no impairment charge was necessary on a reporting unit basis.

As of December 31, 2002 and 2001, the Company had identifiable intangible assets with definite useful lives with a gross carrying value of approximately $69,100,000 and $63,600,000, respectively, less accumulated amortization of approximately $47,700,000 and $40,100,000, respectively. Amortization of identifiable intangible assets was approximately $7,200,000 for 2002. Assuming no change in the gross carrying value of identifiable intangible assets from the value at December 31, 2002, the estimated amortization for the year ended December 31, 2003 and the next four succeeding years is approximately $7,200,000 per year. Such assets are reflected in "other assets" in the Company's consolidated balance sheets. At December 31, 2002 and 2001, there were no identifiable intangible assets with indefinite useful lives as defined by SFAS No. 142.

On January 1, 2003, the Company adopted SFAS No. 143, "Asset Retirement Obligations" ("SFAS No. 143"), which provides the accounting requirements for retirement obligations associated with tangible long-lived assets. This statement requires entities to record the fair value of a liability for an asset retirement obligation in the period in which it is incurred. The adoption of SFAS No. 143 did not have a material impact on the Company's consolidated financial statements.

On January 1, 2002, the Company adopted SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS

No. 144"), which excludes from the definition of long-lived assets goodwill and other intangibles that are not amortized in accordance with SFAS No. 142. SFAS No. 144 requires that the disposal of long-lived assets by sale be measured at the lower of carrying amount or fair value less cost to sell, whether reported in continuing operations or in discontinued operations. SFAS No. 144 also expands the reporting of discontinued operations to include components of an entity that have been or will be disposed of rather than limiting such discontinuance to a segment of a business. The adoption of SFAS No. 144 did not have a material impact on the Company's consolidated financial statements.

In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities" ("SFAS No. 146"). SFAS No. 146 nullifies Emerging Issues Task Force ("EITF") Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)" ("EITF 94-3") and requires that a liability for a cost associated with an exit or disposal activity be recognized and measured initially at fair value in the period in which the liability is incurred. Under EITF 94-3, a liability for an exit cost was required to be recognized at the date of an entity's commitment to an exit plan. The adoption of SFAS No. 146 is expected to result in delayed recognition for certain types of costs as compared to the provisions of EITF 94-3. SFAS No. 146 is effective for new exit or disposal activities that are initiated after December 31, 2002, and does not affect amounts currently reported in the Company's consolidated financial statements. SFAS No. 146 will affect the types and timing of costs included in future restructuring programs, if any.

On January 1, 2003, the Company adopted SFAS No. 148, "Accounting for Stock-Based Compensation — Transition and Disclosure" ("SFAS No. 148"), which provides alternative methods of transition for companies that choose to switch to the fair value method of accounting for stock options. SFAS No. 148 also makes changes in the disclosure requirements for stock-based compensation, regardless of which method of accounting is chosen. As discussed above under "Financing Activities", the Company terminated all previously maintained stock option plans effective March 31, 1998 in connection with the Cryovac Transaction, except with respect to options that were still outstanding as of such date. The adoption of SFAS No. 148 did not have a material impact on the Company's consolidated financial statements.

In November 2002, the FASB issued Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others"

("Interpretation No. 45"). Interpretation No. 45 requires the disclosure of certain guarantees existing at December 31, 2002. The Company had no guarantees meeting the requirements of Interpretation No. 45 at December 31, 2002. In addition, Interpretation No. 45 requires the recognition of a liability for the fair value of the obligation of qualifying guarantee activities that are initiated or modified after December 31, 2002. Accordingly, the Company will apply the recognition provisions of Interpretation No. 45 prospectively to applicable guarantee activities initiated after December 31, 2002.

In January 2003, the FASB issued Interpretation No. 46, "Consolidation of Variable Interest Entities" ("Interpretation No. 46"). Interpretation No. 46 requires that the assets, liabilities and results of the activity of variable interest entities be consolidated into the financial statements of the company that has the controlling financial interest. Interpretation No. 46 also provides the framework for determining whether a variable interest entity should be consolidated based on voting interests or significant financial support provided to it. Interpretation No. 46 will be effective for the Company on February 1, 2003 for variable interest entities created after January 31, 2003, and on July 31, 2003 for variable interest entities created prior to February 1, 2003. Based on its preliminary analysis of Interpretation No. 46, the Company does not currently expect the adoption of Interpretation No. 46 to have a material impact on its 2003 consolidated financial statements.

Critical Accounting Policies and Estimates

The Company's discussion and analysis of its results of operations and financial condition are based upon its consolidated financial statements that have been prepared in accordance with generally accepted accounting principles in the United States of America ("US GAAP"). The preparation of financial statements in conformity with US 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. Estimates and assumptions are evaluated on an ongoing basis and are based on historical and other factors believed to be reasonable under the circumstances. The results of these estimates may form the basis of the carrying value of certain assets and liabilities and may not be readily apparent from other sources. Actual results, under conditions and circumstances different from those assumed, may differ from estimates, and any such differences may be material to the Company's consolidated financial statements.

The Company believes the following accounting policies are critical to its business operations and the understanding of results of operations and affect the more significant judgments and estimates used in the preparation of its consolidated financial statements:

Allowance for Doubtful Accounts — The Company maintains accounts receivable allowances for estimated losses resulting from the inability of its customers to make required payments. Additional allowances may be required if the financial condition of the Company's customers deteriorates.

Commitments and Contingencies — Litigation—On an ongoing basis, the Company assesses the potential liabilities related to any lawsuits or claims brought against the Company. While it is typically very difficult to determine the timing and ultimate outcome of such actions, the Company uses its best judgment to determine if it is probable that it will incur an expense related to the settlement or final adjudication of such matters and whether a reasonable estimation of such probable loss, if any, can be made. In assessing probable losses, the Company makes estimates of the amount of insurance recoveries, if any. The Company accrues a liability when it believes 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 certain matters may be resolved for amounts materially different from any provisions or disclosures that the Company has previously made.

Impairment of Long-Lived Assets—The Company periodically reviews long-lived assets, other than goodwill, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Goodwill, in accordance with SFAS No. 142, is reviewed

for possible impairment at least annually during the fourth quarter of each fiscal year. A review of goodwill may be initiated prior to conducting the annual analysis if events or changes in circumstances indicate that the carrying value of goodwill may be impaired. Assumptions and estimates used in the determination of impairment losses, such as future cash flows and disposition costs, may affect the carrying value of long-lived assets and possible impairment expense in the Company's consolidated financial statements .

Self-Insurance — The Company retains the obligation for certain claims and losses related to property, casualty, workers' compensation and employee benefit claims. The Company accrues for outstanding reported claims, claims that have been incurred but not reported and projected claims based upon management's estimates of the aggregate liability for uninsured claims using historical experience, insurance company estimates and the estimated trends in claim values. Although management believes it has the ability to adequately project and record estimated claim payments, it is possible that actual results could differ significantly from the recorded liabilities.

Pensions — Although the Company maintains a non-contributory profit sharing plan and contributory thrift and retirement savings plans in which most U.S. employees of the Company are eligible to participate, the Company does maintain defined benefit pension plans for certain of its U.S. and non-U.S. employees. The Company accounts for such pension plans in accordance with SFAS No. 87, "Employers' Accounting for Pensions" ("SFAS No. 87"). Under these accounting standards, assumptions are made regarding the valuation of benefit obligations and performance of plan assets. Certain of these assumptions include 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. Changes to these assumptions could have a significant impact on costs and liabilities recorded under SFAS No. 87.

Income Taxes — The Company's deferred tax assets arise from net deductible temporary differences and tax benefit carryforwards. The Company believes that its taxable earnings during the periods when the temporary differences giving rise to deferred tax assets become deductible or when tax benefit carryforwards may be utilized should be sufficient to realize the related future income tax benefits. For those jurisdictions where the expiration date of tax benefit carryforwards or the projected taxable earnings indicate that realization is not likely, a valuation allowance is provided.

In assessing the need for a valuation allowance, the Company estimates future taxable earnings, with consideration for the feasibility of ongoing tax planning strategies and the realizability of tax benefit carryforwards, to determine which deferred tax assets are more likely than not to be realized in the future. Valuation allowances related to deferred tax assets can be impacted by changes to tax laws, changes to statutory tax rates and future taxable earnings. In the event that actual results differ from these estimates in future periods, the Company may need to adjust the valuation allowance, which could materially impact the Company's consolidated financial statements.

Forward-Looking Statements

Certain statements made by the Company in this report and in the documents incorporated by reference herein, and in future oral and written statements by the Company may be forward-looking. These statements include comments as to the Company's beliefs and, expectations as to future events and trends affecting the Company's business, its results of operations and its financial condition. These forward-looking statements are based upon management's current expectations concerning future events and discuss, among other things, anticipated future performance and future business plans. Forward-looking statements are identified by such words and phrases as "expects," "intends," "believes," "will continue," "plans to," "could be," "estimates" and similar expressions. Forward-looking statements are necessarily subject to risks and uncertainties, many of which are outside the control of the Company, which could cause actual results to differ materially from such statements.

The Company recognizes that it is subject to a number of risks and uncertainties that may affect the future performance of the Company, such as:

- economic, political, business and market conditions in the geographic areas in which it conducts business;
- the Company's ability to hire, develop and retain talented employees worldwide;
- factors affecting the customers, industries and markets that use the Company's packaging materials and systems;
- competitive factors;

- the Company's development and commercialization of successful new products;
- the Company's accomplishments in entering new markets and acquiring and integrating new businesses;
- changes in the Company's relationships with customers and suppliers;
- acts and effects of war or terrorism;
- changes in the value of foreign currencies against the U.S. dollar;
- changes in interest rates, credit availability and ratings;
- the Company's access to financing and other sources of capital;
- the success of the Company's key information systems projects;
- the magnitude and timing of the Company's capital expenditures;
- the Company's inventory management proficiency;
- raw material availability and pricing;
- production capacity;
- changes in energy-related expenses;
- the effect on the Company of new pronouncements by accounting authorities;
- the approval and implementation of a definitive settlement agreement with the Official Committee of Asbestos Personal Injury Claimants, the Official Committee of Asbestos Property Damage Claimants and any other appropriate parties in the New Grace bankruptcy proceeding;
- other effects on the Company of the bankruptcy filing by New Grace and its subsidiaries;
- other legal proceedings and claims (including environmental matters) involving the Company;
- the effects of animal and food-related health issues (including BSE ("mad-cow") and foot-and-mouth); and
- changes in domestic or foreign laws or regulations, or governmental or agency actions.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

The Company is exposed to market risk from changes in interest rates and foreign currency exchange rates, which may adversely affect its results of operations and financial condition. The Company seeks to minimize these risks through regular operating and financing activities and, when deemed appropriate, through the use of derivative financial instruments. The Company does not purchase, hold or sell derivative financial instruments for trading purposes.

Interest Rates

From time to time, the Company may use interest rate swaps, collars or options to manage its exposure to fluctuations in interest rates. During September 2002, the Company terminated certain interest rate swaps and reflected a basis adjustment to the 8.75% Senior Notes for a portion of the cash received of approximately $2,416,000. Such amount is being amortized and reflected as a component of interest expense over the remaining life of the 8.75% Senior Notes. At December 31, 2002 and 2001, the Company had no interest rate swaps, collars or options outstanding.

The fair value of the Company's 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. At December 31, 2002, the carrying value of the Company's total debt was $923,434,000 of which approximately $812,569,000 was fixed rate debt. At December 31, 2001, the carrying value of the Company's total debt was $925,602,000 of which $782,517,000 was fixed rate debt. The estimated fair value of the Company's total debt, which includes the cost of replacing the Company's fixed rate debt with borrowings at current market rates, was approximately $958,256,000 at December 31, 2002 compared to $889,434,000 at December 31, 2001. A hypothetical 10% decrease in interest rates would result in an increase in the fair value of the total debt balance at December 31, 2002 of approximately $25,656,000. Such changes in the fair value of the Company's fixed rate debt do not alter the Company's obligations to repay the outstanding principal amount of such debt.

Foreign Exchange Rates

The Company may use other derivative instruments from time to time, such as foreign exchange options to manage exposure due to foreign exchange rates and interest rate and currency swaps to gain access to additional sources of international financing while limiting foreign exchange exposure and limiting or adjusting interest rate exposure by swapping borrowings in one currency for borrowings denominated in another currency. At December 31, 2002 and 2001, the Company had no foreign exchange options or interest rate and currency swap agreements outstanding.

The Company uses foreign currency forward contracts to fix the amount payable on certain transactions denominated in foreign currencies. The terms of such instruments are generally twelve months or less. At December 31, 2002 and 2001, the Company had foreign currency forward contracts with an aggregate notional amount of approximately $146,910,000 and $266,900,000, respectively. The estimated fair values of these contracts, which represent the estimated net payments that would be paid or received by the Company in the event of termination of these contracts based on the then current foreign exchange rates, were a net payable of approximately $32,000 and a net receivable of approximately $313,000 at December 31, 2002 and 2001, respectively. A hypothetical 10% adverse change in foreign exchange rates at December 31, 2002 would have caused the Company to pay approximately $650,000 to terminate these contracts.

The Company's foreign subsidiaries had outstanding debt of approximately $322,700,000 and $321,700,000 at December 31, 2002 and 2001, respectively. Such debt is generally denominated in the functional currency of the borrowing subsidiary. The Company believes that this enables it to better match operating cash flows with debt service requirements and to better match foreign currency- denominated assets and liabilities, thereby reducing its need to enter into foreign exchange contracts.

Commodities

The Company uses various commodity raw material and energy products in conjunction with its manufacturing processes. Generally, the Company acquires such components at market prices and does not use financial instruments to hedge commodity prices. As a result, the Company is exposed to market risks related to changes in commodity prices of these components.

Item 8. Financial Statements and Supplementary Data

The following consolidated financial statements of the Company are filed as part of this report.

Sealed Air Corporation

Report of Independent Certified Public Accountants

To the Board of Directors and Shareholders
of Sealed Air Corporation:

We have audited the consolidated financial statements of Sealed Air Corporation and subsidiaries as listed in the accompanying index. In connection with our audits of the consolidated financial statements, we also have audited the financial statement schedule as listed in the accompanying index. These consolidated financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audits.

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

In our opinion, the 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, 2002 and 2001, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2002, in conformity with accounting principles generally accepted in the United States of America. 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.

As discussed in Notes 2 and 19 to the consolidated financial statements, the Company adopted the provisions of Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets," as of January 1, 2002.

KPMG LLP

KPMG LLP
Short Hills, New Jersey
January 24, 2003

SEALED AIR CORPORATION AND SUBSIDIARIES
Consolidated Statements of Operations
Years Ended December 31, 2002, 2001 and 2000
(In thousands of dollars, except for per share data)

	2002	2001	2000
Net sales	$ 3,204,256	$ 3,067,482	$ 3,067,714
Cost of sales	2,146,643	2,077,195	2,032,410
Gross profit	1,057,613	990,287	1,035,304
Marketing, administrative and development expenses	542,575	513,086	516,312
Goodwill amortization	—	57,005	51,776
Restructuring and other (credits) charges	(1,348)	32,805	(1,247)
Operating profit	516,386	387,391	468,463
Interest expense	(65,315)	(76,398)	(64,513)
Asbestos settlement and related costs	(850,118)	(11,995)	—
Other income (expense), net	7,114	(1,546)	9,479
(Loss) earnings before income taxes	(391,933)	297,452	413,429
Income tax (benefit) expense	(82,864)	140,755	188,110
Net (loss) earnings	$ (309,069)	$ 156,697	$ 225,319
Add: Excess of book value over repurchase price of Series A convertible preferred stock	10,291	7,456	45,283
Less: Series A convertible preferred stock dividends	53,845	55,024	64,266
Net (loss) earnings ascribed to common shareholders	$ (352,623)	$ 109,129	$ 206,336
(Loss) earnings per common share:			
Basic	$ (4.20)	$ 1.30	$ 2.47
Diluted	$ (4.30)	$ 1.22	$ 1.93

See accompanying Notes to Consolidated Financial Statements.

SEALED CORPORATION AND SUBSIDIARIES
Consolidated Balance Sheets
December 31, 2002 and 2001
(In thousands of dollars, except share data)

	2002	2001
Assets		
Current assets:		
Cash and cash equivalents	$ 126,751	$ 13,805
Notes and accounts receivable, net of allowances for doubtful accounts of $18,683 in 2002 and $25,424 in 2001	546,761	418,161
Inventories	329,449	288,570
Prepaid expenses and other current assets	11,701	10,172
Deferred income taxes	41,596	45,644
Total current assets	1,056,258	776,352
Property and equipment, net	1,013,017	1,050,438
Goodwill	1,926,244	1,913,000
Deferred income taxes	84,243	5,686
Other assets	181,004	162,433
Total Assets	$ 4,260,766	$ 3,907,909
Liabilities, Preferred Stock and Shareholders' Equity		
Current liabilities:		
Short-term borrowings	$ 53,355	$ 135,548
Current portion of long-term debt	2,049	1,943
Accounts payable	167,039	135,533
Deferred income taxes	4,239	5,097
Asbestos settlement liability	512,500	—
Other current liabilities	413,572	348,859
Total current liabilities	1,152,754	626,980
Long-term debt, less current portion	868,030	788,111
Deferred income taxes	31,037	210,830
Other liabilities	68,980	65,682
Total Liabilities	2,120,801	1,691,603
Commitments and contingencies (Note 18)		
Authorized 50,000,000 preferred shares. Series A convertible preferred stock, $50.00 per share redemption value, authorized 27,365,594 shares in 2002 and 2001, outstanding 26,540,099 shares in 2002 and 27,323,084 shares in 2001, mandatory redemption in 2018	1,327,005	1,366,154
Shareholders' equity:		
Common stock, $.10 par value per share. Authorized 400,000,000 shares; issued 84,764,347 shares in 2002 and 84,494,504 shares in 2001	8,476	8,449
Cost of treasury common stock, 723,415 shares in 2002 and 717,615 shares in 2001	(31,139)	(31,133)
Common stock reserved for issuance related to asbestos settlement, 9,000,000 shares, $.10 par value per share	900	—
Additional paid-in capital	1,037,150	699,088
Retained earnings	31,885	394,799
Deferred compensation	(9,853)	(10,973)
	1,037,419	1,060,230
Minimum pension liability	(2,212)	(2,237)
Accumulated translation adjustment	(222,218)	(207,710)

Unrecognized loss on derivative instruments	(29)	(131)
Accumulated other comprehensive loss	(224,459)	(210,078)
Total Shareholders' Equity	812,960	850,152
Total Liabilities, Preferred Stock and Shareholders' Equity	$ 4,260,766	$ 3,907,909

See accompanying Notes to Consolidated Financial Statements.

SEALED AIR CORPORATION AND SUBSIDIARIES
Consolidated Statements of Shareholders' Equity
Years Ended December 31, 2002, 2001 and 2000
(In thousands of dollars)

							Other Comprehensive Loss			
	Common Stock	Common Stock Reserved for Issuance Related to Asbestos Settlement	Additional Paid-in Capital	Retained Earnings	Deferred Compensation	Treasury Common Stock	Accumulated Translation Adjustment	Unrecognized Loss on Derivative Instruments	Minimum Pension Liability	Total
Balance at December 31, 1999	$ 8,413	$ —	$ 632,230	$ 132,073	$ (24,511)	$ (23,652)	$ (171,521)	$ —	$ (2,002)	$ 551,030
Effect of contingent stock transactions, net	19	—	8,607	—	7,438	(23)	—	—	—	16,041
Shares issued for non-cash compensation	1	—	2,049	—	—	15,405	—	—	—	17,455
Exercise of stock options	2	—	858	—	—	—	—	—	—	860
Purchase of preferred stock	—	—	45,283	—	—	—	—	—	—	45,283
Conversion of preferred stock	—	—	57	—	—	—	—	—	—	57
Purchase of common stock	—	—	—	—	—	(22,873)	—	—	—	(22,873)
FAS 87 pension adjustment	—	—	—	—	—	—	—	—	481	481
Foreign currency translation	—	—	—	—	—	—	(16,258)	—	—	(16,258)
Net earnings	—	—	—	225,319	—	—	—	—	—	225,319
Dividends on preferred stock	—	—	—	(64,266)	—	—	—	—	—	(64,266)
Balance at December 31, 2000	8,435	—	689,084	293,126	(17,073)	(31,143)	(187,779)	—	(1,521)	753,129
Effect of contingent stock transactions, net	11	—	1,664	—	6,100	10	—	—	—	7,785
Shares issued for non-cash compensation	1	—	374	—	—	—	—	—	—	375
Exercise of stock options	2	—	502	—	—	—	—	—	—	504
Purchase of preferred stock	—	—	7,456	—	—	—	—	—	—	7,456
Conversion of preferred stock	—	—	8	—	—	—	—	—	—	8
FAS 87 pension adjustment	—	—	—	—	—	—	—	—	(716)	(716)
Foreign currency translation	—	—	—	—	—	—	(19,931)	—	—	(19,931)
Unrecognized loss on derivative instruments	—	—	—	—	—	—	—	(131)	—	(131)
Net earnings	—	—	—	156,697	—	—	—	—	—	156,697
Dividends on preferred stock	—	—	—	(55,024)	—	—	—	—	—	(55,024)
Balance at December 31, 2001	8,449	—	699,088	394,799	(10,973)	(31,133)	(207,710)	(131)	(2,237)	850,152
Effect of contingent stock transactions, net	22	—	6,143	—	1,120	(6)	—	—	—	7,279

Shares issued for non-cash compensation	—	—	112	—	—	—	—	—	—	112
Exercise of stock options	5	—	912	—	—	—	—	—	—	917
Purchase of preferred stock	—	—	10,291	—	—	—	—	—	—	10,291
Conversion of preferred stock	—	—	24	—	—	—	—	—	—	24
FAS 87 pension adjustment	—	—	—	—	—	—	—	—	25	25
Foreign currency translation	—	—	—	—	—	—	(14,508)	—	—	(14,508)
Unrecognized gain on derivative instruments	—	—	—	—	—	—	—	102	—	102
Net loss	—	—	—	(309,069)	—	—	—	—	—	(309,069)
Dividends on preferred stock	—	—	—	(53,845)	—	—	—	—	—	(53,845)
Common stock reserved for issuance related to the asbestos settlement	—	900	320,580	—	—	—	—	—	—	321,480
Balance at December 31, 2002	$ 8,476	$ 900	$ 1,037,150	$ 31,885	$ (9,853)	$ (31,139)	$ (222,218)	$ (29)	$ (2,212)	$ 812,960

See accompanying Notes to Consolidated Financial Statements.

SEALED AIR CORPORATION AND SUBSIDIARIES
Consolidated Statements of Cash Flows
Years Ended December 31, 2002, 2001 and 2000
(In thousands of dollars)

	2002	2001	2000
Cash flows from operating activities:			
Net (loss) earnings	$ (309,069)	$ 156,697	$ 225,319
Adjustments to reconcile net (loss) earnings to net cash provided by operating activities:			
Depreciation and amortization of property and equipment	144,013	141,665	140,795
Other amortization, including goodwill in 2001 and 2000	20,942	78,951	78,846
Amortization of bond discount	744	561	318
Non-cash portion of restructuring and other charges (credits)	—	7,287	(1,247)
Non-cash portion of asbestos settlement	321,480	—	—
Deferred tax provisions	(257,208)	(9,083)	20,361
Net loss (gain) on disposals of property and equipment	136	(237)	594
Changes in operating assets and liabilities, net of businesses acquired:			
Change in the Receivables Facility	(95,600)	95,600	—
Change in notes and accounts receivable, net of Receivables Facility	(22,718)	27,089	(41,316)
Inventories	(32,576)	16,531	(54,710)
Other current assets	(2,123)	(1,718)	3,432
Other assets	(19,999)	(3,918)	(12,645)
Accounts payable	23,722	(5,656)	(17,109)
Income taxes payable	12,733	35,711	966
Asbestos settlement liability	512,500	—	—
Other current liabilities	25,105	40,279	(8,632)
Other liabilities	1,857	(1,066)	(5,559)
Net cash provided by operating activities	323,939	578,693	329,413
Cash flows from investing activities:			
Capital expenditures for property and equipment	(91,625)	(146,277)	(114,197)
Proceeds from sales of property and equipment	5,202	4,352	2,749
Businesses acquired in purchase transactions, net of cash acquired	(10,465)	(36,007)	(237,541)
Net cash used in investing activities	(96,888)	(177,932)	(348,989)

Cash flows from financing activities:			
Proceeds from long-term debt	281,351	482,351	661,048
Payment of long-term debt	(240,007)	(631,502)	(369,661)
Payment of senior debt issuance costs	—	(2,241)	—
Termination of interest rate swap agreements	2,716	—	642
Net (payments of) proceeds from short-term borrowings	(77,096)	(163,756)	129,482
Purchases of treasury common stock	—	—	(22,873)
Purchases of preferred stock	(28,834)	(18,754)	(323,948)
Dividends paid on preferred stock	(40,548)	(69,185)	(67,880)
Proceeds from stock option exercises	917	504	861
Net cash (used in) provided by financing activities	(101,501)	(402,583)	7,671
Effect of exchange rate changes on cash and cash equivalents	(12,604)	4,398	9,462
Cash and cash equivalents:			
Net change during the period	112,946	2,576	(2,443)
Balance, beginning of period	13,805	11,229	13,672
Balance, end of period	$ 126,751	$ 13,805	$ 11,229

See accompanying Notes to Consolidated Financial Statements.

SEALED AIR CORPORATION AND SUBSIDIARIES
Consolidated Statements of Comprehensive (Loss) Income
Years Ended December 31, 2002, 2001 and 2000
(In thousands of dollars)

	2002	2001	2000
Net (loss) earnings	$ (309,069)	$ 156,697	$ 225,319
Other comprehensive (loss) income:			
Minimum pension liability, net of income tax expense (benefit) of $76, $(477) and $326, in 2002, 2001 and 2000, respectively	25	(716)	481
Unrecognized gain (loss) on derivative instruments, net of income tax expense (benefit) of $75 and $(79), in 2002 and 2001, respectively	102	(131)	—
Foreign currency translation adjustments	(14,508)	(19,931)	(16,258)
Comprehensive (loss) income	$ (323,450)	$ 135,919	$ 209,542

See accompanying Notes to Consolidated Financial Statements.

SEALED AIR CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(In thousands of dollars, except share and per share data)

Note 1 General

Sealed Air Corporation (the "Company"), operating through its subsidiaries, is engaged in the manufacture and sale of a wide range of food, protective and specialty packaging products.

The Company conducts substantially all of its business through two direct wholly-owned subsidiaries, Cryovac, Inc. and Sealed Air Corporation (US). These two subsidiaries directly and indirectly own substantially all of the assets of the business and conduct operations themselves and through subsidiaries around the globe. This corporate structure was established in connection with the Cryovac Transaction. See Note 18 for a description of the Cryovac Transaction and certain related terms used in these notes.

Note 2 Summary of Significant Accounting Policies

Basis of Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany transactions and balances have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements and related disclosures in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and revenue and expenses during the period reported. These estimates include assessing the collectibility of accounts receivable, the use and recoverability of inventory, the realization of deferred tax assets, useful lives and recoverability of tangible and intangible assets and accruals for commitments and contingencies, among others. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the consolidated financial statements in the period they are determined to be necessary. Actual results could differ from these estimates.

Revenue Recognition

The Company's revenue earning activities primarily involve manufacturing and selling goods, and revenues are considered to be earned when the Company has completed the process by which it is entitled to such revenues. The following criteria are used for revenue recognition: persuasive evidence of an arrangement exists, shipment has occurred, selling price is fixed or determinable, and collection is reasonably assured.

Cash and Cash Equivalents

Investments with original maturities of three months or less are considered to be cash equivalents. The Company's policy is to invest cash in excess of short-term operating and debt service requirements in such cash equivalents. These instruments are stated at cost, which approximates market value because of the short maturity of the instruments.

Allowance for Doubtful Accounts

The Company maintains accounts receivable allowances for estimated losses resulting from the inability of its customers to make required payments. Additional allowances may be required if the financial condition of the Company's customers deteriorates.

Commitments and Contingencies — Litigation

On an ongoing basis, the Company assesses the potential liabilities related to any lawsuits or claims brought against the Company. While it is typically very difficult to determine the timing and ultimate outcome of such actions, the Company uses its best judgment to determine if it is probable that it will incur an expense related to the settlement or final adjudication of such matters and whether a reasonable estimation of such probable loss, if any, can be made. In assessing probable losses, the Company makes estimates of the amount of insurance recoveries, if any. The Company accrues a liability when it believes 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 certain matters may be resolved for amounts materially different from any provisions or disclosures that the Company has previously made.

Self-Insurance

The Company retains the obligation for certain claims and losses related to property, casualty, workers' compensation and employee benefit claims. The Company accrues for outstanding reported claims, claims that have been incurred but not reported and projected claims based upon management's estimates of the aggregate liability for uninsured claims using historical experience, insurance company estimates and the estimated trends in claim values. Although management believes it has the ability to adequately project and record estimated claim payments, it is possible that actual results could differ significantly from the recorded liabilities.

Pensions

Although the Company maintains a non-contributory profit sharing and contributory thrift and retirement savings plans in which most U.S. employees of the Company are eligible to participate, the Company does maintain defined benefit pension plans for certain of its U.S. and non-U.S. employees. The Company accounts for such pension plans in accordance with Statement of Financial Accounting Standards ("SFAS") No. 87, "Employers' Accounting for Pensions" ("SFAS No. 87"). Under these accounting standards, assumptions are made regarding the valuation of benefit obligations and performance of plan assets. Certain of these assumptions include 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. Changes to these assumptions could have a significant impact on costs and liabilities recorded under SFAS No. 87.

Financial Instruments

The Company has limited involvement with derivative financial instruments. These financial instruments generally include cross currency swaps, interest rate swaps, caps and collars and foreign exchange forward contracts and options relating to the Company's borrowing and trade activities. Such financial

instruments are used from time to time to manage the Company's exposure to fluctuations in interest rates and foreign exchange rates. The Company does not purchase, hold or sell derivative financial instruments for trading or speculative purposes. The Company is exposed to credit risk if the counterparties to such transactions are unable to perform their obligations. However, the Company seeks to minimize such risk by entering into transactions with counterparties that are major financial institutions with high credit ratings.

Effective January 1, 2001, the Company adopted SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" as amended by SFAS No. 137 and SFAS No. 138 ("SFAS No. 133"), which require that all derivative instruments be reported on the balance sheet at fair value and establish criteria for designation and effectiveness of transactions entered into for hedging purposes. Prior to entering into any derivative transaction, the Company identifies the specific financial risk to which the Company is exposed, the appropriate hedging instrument to be used to reduce the risk and the correlation between the financial risk and the hedging instrument. Purchase orders and historical data are used as the basis for determining the anticipated values of the transactions to be hedged. The Company does not enter into derivative transactions that do not have a high correlation with the underlying financial risk. The Company regularly reviews its hedge positions and the correlation between the transaction risks and the hedging instruments.

The Company accounts for derivative instruments as hedges of the related underlying risks if such derivative instruments are designated by the Company as hedges and are effective as hedges of recognized assets or liabilities, forecasted transactions, unrecognized firm commitments or forecasted intercompany transactions.

Gains and losses on derivatives qualifying as cash flow hedges are recorded in other comprehensive income (loss), to the extent that hedges are effective and until the underlying transactions are recognized in the consolidated statement of operations, at which time such gains and losses are recognized in the consolidated statement of operations. Gains and losses on qualifying fair value hedges and the related loss or gain on the hedged item attributable to the hedged risk are recognized in the consolidated statement of operations.

The Company's practice is to terminate derivative transactions if the underlying asset or liability matures or is sold or terminated, or if the underlying forecasted transaction is no longer deemed to be probable of occurring.

Prior to the adoption of SFAS No. 133, the Company recorded realized and unrealized gains and losses from foreign exchange hedging instruments (including cross currency swaps, forwards and options) differently depending on whether the instrument qualified for hedge accounting. Gains and losses on those foreign exchange instruments that qualified as hedges were deferred as part of the cost basis of the asset or liability being hedged and were recognized in the consolidated statement of operations in the same period as the underlying transaction. Realized and unrealized gains and losses on instruments that did not qualify for hedge accounting were recognized currently in the consolidated statement of operations. The Company recorded net payments or receipts from interest rate swaps, caps, collars and the interest rate component of cross currency swaps as adjustments to interest expense on a current basis. If an interest rate hedging instrument was terminated prior to its maturity date, any gain or loss would have been amortized into earnings over the shorter of the original term of the derivative instrument and the remaining term of the underlying transaction.

Accounts Receivable Securitization

The Company's two primary U.S. operating subsidiaries sell eligible U.S. accounts receivable to an indirectly wholly-owned subsidiary of the Company that was formed for the sole purpose of entering into an accounts receivable securitization program. Such wholly-owned subsidiary in turn sells an undivided ownership interest in such receivables to a bank or an issuer of commercial paper administered by that bank. Such wholly-owned subsidiary retains the receivables it purchases from the two operating subsidiaries, except those as to which interests are sold by it to the bank or to the issuer of commercial paper. The undivided ownership interest amounts sold are removed from the Company's consolidated balance sheets at that time, and the proceeds from the sale are reflected in cash provided by operating activities in the consolidated statement of cash flows. The retained receivables are included in notes and accounts receivable on the Company's consolidated balance sheets, and the carrying amounts thereof approximate fair value because of the relatively short-term nature of the receivables. Costs associated with the sale of receivables are included in other income (expense), net, in the Company's consolidated statements of operations.

Inventories

Inventories are stated at the lower of cost or market. The cost of most U.S. inventories is determined on a last-in, first-out ("LIFO") basis, while the cost of other inventories is determined on a first-in, first-out ("FIFO") basis.

Property and Equipment

Property and equipment are stated at cost, except for property and equipment that have been impaired, for which the carrying amount is reduced to the estimated fair value at the impairment date. Significant improvements are capitalized; repairs and maintenance costs that do not extend the lives of the assets are charged to expense as incurred. The cost and accumulated depreciation of assets sold or otherwise disposed of are removed from the accounts, and any resulting gain or loss is recognized upon the disposition of the assets.

The cost of property and equipment is depreciated over their estimated useful lives on a straight-line basis as follows: buildings — 20 to 40 years; machinery and other property and equipment — 3 to 20 years.

Goodwill and Identifiable Intangible Assets

Goodwill represents the excess of the purchase price of net tangible and identifiable intangible assets acquired in business combinations over their estimated fair value. Identifiable intangible assets are included in other assets at cost and consist primarily of patents, licenses, trademarks and non-compete agreements. They are amortized over the shorter of their legal lives or their estimated useful lives on a straight-line basis, generally ranging from 3 to 20 years. Identifiable intangibles, other than goodwill, individually and in the aggregate comprise less than 5% of the Company's consolidated assets.

In July 2001, the Financial Accounting Standards Board ("FASB") issued SFAS No. 141, "Business Combinations" ("SFAS No. 141"), and SFAS No. 142, "Goodwill and Other Intangible Assets" ("SFAS No. 142"). SFAS No. 141 requires that the purchase method of accounting be used for all business

combinations initiated after June 30, 2001 as well as all purchase method business combinations completed after June 30, 2001. SFAS No. 142 requires that goodwill and intangible assets with indefinite useful lives no longer be amortized, but instead be tested for impairment at least annually in accordance with the provisions of SFAS No. 142. A review of goodwill may be initiated prior to conducting the annual analysis if events or changes in circumstances indicate that the carrying value of goodwill may be impaired. 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 such businesses have economic characteristics that are different from the economic characteristics of the other components of the operating segments, in which case such component is the reporting unit. A fair value approach is used to test goodwill for impairment. An impairment charge is recognized for the amount, if any, by which the carrying amount of goodwill exceeds its fair value. An estimate of fair values for the Company as a whole and each of the Company's reporting units is derived by using discounted cash flows, equity market capitalization and comparative market multiples. The Company performs this annual test for impairment during the fourth quarter of each year. This standard also requires that intangible assets with definite useful lives be amortized over their respective estimated useful lives to their estimated residual values, and reviewed for impairment in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets."

The Company adopted the provisions of SFAS No. 141 upon issuance and adopted SFAS No. 142 effective January 1, 2002. Any goodwill and any intangible assets determined to have an indefinite useful life that were acquired in a purchase business combination completed after June 30, 2001 were not amortized, but were evaluated for impairment. Goodwill and intangible assets acquired in business combinations completed before July 1, 2001 were amortized through the end of 2001.

Impairment of Long-Lived Assets

The Company periodically reviews long-lived assets, other than goodwill, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairments are recognized when the expected future undiscounted cash flows derived from such assets are less than their carrying value. For such cases, losses are recognized for the difference between the fair value and the carrying amount. Assets to be disposed of by sale or abandonment, and where management has the current ability to remove such assets from operations, are recorded at the lower of carrying amount or fair value less cost of disposition. Depreciation for these assets is suspended during the disposal period, which is generally less than one year. Assumptions and estimates used in the determination of impairment losses, such as future cash flows and disposition costs, may affect the carrying value of long-lived assets and possible impairment expense in the Company's consolidated financial statements .

Stock-Based Compensation

The Company follows the disclosure provisions of SFAS No. 123, "Accounting for Stock-Based Compensation." As permitted by SFAS No. 123, the Company continues to follow the measurement provisions of Accounting Principles Board Opinion ("APB") No. 25, "Accounting for Stock Issued to Employees."

Foreign Currency Translation

In non-U.S. locations that are not considered highly inflationary, the balance sheets are translated at the end of period exchange rates with translation adjustments accumulated in shareholders' equity. Statements of operations are translated at the average exchange rates during the applicable period. Assets and liabilities of the Company's operations in countries with highly inflationary economies are translated at the end of period exchange rates, except that certain financial statement amounts are translated at historical exchange rates. Items included in statements of operations of the Company's operations in countries with highly inflationary economies are translated at average rates of exchange prevailing during the period, except that certain financial statement amounts are translated at historical exchange rates.

Income Taxes

The Company and its domestic subsidiaries file a consolidated U.S. federal income tax return. The Company's non-U.S. subsidiaries file income tax returns in their respective local jurisdictions. The Company provides for income taxes on those portions of its foreign subsidiaries' accumulated earnings that it believes are not reinvested indefinitely in their businesses.

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized 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 carryforwards. Deferred tax liabilities and assets at the end of each period are determined using enacted tax rates.

The Company believes that its taxable earnings during the periods when the temporary differences giving rise to deferred tax assets become deductible or when tax benefit carryforwards may be utilized should be sufficient to realize the related future income tax benefits. For those jurisdictions where the expiration date of tax benefit carryforwards or the projected taxable earnings indicate that realization is not likely, a valuation allowance is provided.

In assessing the need for a valuation allowance, the Company estimates future taxable earnings, with consideration for the feasibility of ongoing tax planning strategies and the realizability of tax benefit carryforwards, to determine which deferred tax assets are more likely than not to be realized in the future. Valuation allowances related to deferred tax assets can be impacted by changes to tax laws, changes to statutory tax rates and future taxable earnings. In the event that actual results differ from these estimates in future periods, the Company may need to adjust the valuation allowance, which could materially impact the Company's consolidated financial statements.

Research and Development

Research and development costs are expensed as incurred and amounted to $59,283, $55,779 and $54,264 in 2002, 2001 and 2000, respectively.

(Loss) Earnings per Common Share

Basic (loss) earnings per common share is calculated by dividing net (loss) earnings ascribed to common shareholders by the weighted average common shares outstanding for the period. Net (loss)

earnings ascribed to common shareholders represents net (loss) earnings plus gains attributable to the repurchase of preferred stock for an amount below its book value less preferred stock dividends. The computation of diluted (loss) earnings per common share is similar, except that the weighted average common shares outstanding for the period are adjusted to reflect the potential issuance of dilutive shares, and the related change in net (loss) earnings ascribed to common shareholders that would occur is factored into the calculation.

Environmental Expenditures

Environmental expenditures that relate to ongoing business activities are expensed or capitalized, as appropriate. Expenditures that relate to an existing condition caused by past operations, and which do not contribute to current or future net sales, are expensed. Liabilities are recorded when the Company determines that environmental assessments or remediations are probable and that the cost or a range of costs to the Company associated therewith can be reasonably estimated.

Reclassifications

Certain prior period amounts have been reclassified to conform to the current year's presentation.

Note 3 Business Segment Information

The Company operates in two reportable business segments: (i) Food Packaging and (ii) Protective and Specialty Packaging. The Food Packaging segment comprises primarily the Company's Cryovac® food packaging products. The Protective and Specialty Packaging segment includes the aggregation of the Company's protective packaging products, engineered products and shrink packaging products, all of which products are used principally for non-food packaging applications.

The Food Packaging segment includes flexible materials and related systems (shrink bag and film products, laminated films, and packaging systems marketed primarily under the Cryovac® trademark for packaging a broad range of perishable foods). This segment also includes rigid packaging and absorbent pads (foam and solid plastic trays and containers for the packaging of a wide variety of food products and absorbent pads used for the packaging of meat, fish and poultry). Net sales of flexible materials and related systems were:
2002 — $1,657,185; 2001 — $1,592,142; and 2000 — $1,599,230. Net sales of rigid packaging and absorbent pads were:
2002 — $300,893; 2001 — $288,139; and 2000—$238,064. Products in this segment are primarily sold to food processors, distributors and food service businesses.

The Protective and Specialty Packaging segment includes cushioning and surface protection products (including Bubble Wrap® cushioning and other air cellular cushioning materials, shrink and non-shrink films principally for non-food applications, polyurethane foam packaging systems sold under the Instapak® trademark, polyethylene foam sheets and planks, Jiffy® mailers and bags and other protective and durable mailers and bags, certain paper-based protective packaging materials, suspension and retention packaging, inflatable packaging, and packaging systems) and other products. Net sales of cushioning and surface protection products were: 2002 — $1,201,351; 2001 — $1,153,123; and 2000 — $1,199,059. Net sales of other products for 2002, 2001 and 2000 were approximately 1% of consolidated net sales. Products in this segment are primarily sold to distributors and manufacturers in a wide variety of industries.

	2002	2001	2000
Net sales			
Food Packaging	$ 1,958,078	$ 1,880,281	$ 1,837,294
Protective and Specialty Packaging	1,246,178	1,187,201	1,230,420
Total	$ 3,204,256	$ 3,067,482	$ 3,067,714
Operating profit			
Food Packaging	$ 325,284	$ 287,701	$ 288,880
Protective and Specialty Packaging	219,376	210,982	249,684
Total segments	544,660	498,683	538,564
Restructuring and other credits (charges)(1)	1,348	(32,805)	1,247
Corporate operating expenses (including goodwill amortization of $57,005 and $51,776 in 2001 and 2000, respectively)	(29,622)	(78,487)	(71,348)
Total	$ 516,386	$ 387,391	$ 468,463
Depreciation and amortization			
Food Packaging	$ 105,768	$ 105,333	$ 108,050
Protective and Specialty Packaging	59,187	57,387	58,954
Total segments	164,955	162,720	167,004
Corporate (including goodwill in 2001 and 2000 and other amortization)	—	57,896	52,637
Total	$ 164,955	$ 220,616	$ 219,641
Capital expenditures			
Food Packaging	$ 61,823	$ 103,837	$ 75,773
Protective and Specialty Packaging	29,802	42,440	38,424
Total	$ 91,625	$ 146,277	$ 114,197
Assets(2)			
Food Packaging	$ 1,476,242	$ 1,284,080	$ 1,392,172
Protective and Specialty Packaging	841,037	704,201	734,303
Total segments	2,317,279	1,988,281	2,126,475
Corporate (including goodwill of $1,926,244, $1,913,000 and $1,959,909 in 2002, 2001 and 2000, respectively)	1,943,487	1,919,628	1,964,407
Total	$ 4,260,766	$ 3,907,909	$ 4,090,882

(1) Includes a credit of $2,957 for Food Packaging and a charge of $1,609 for Protective and Specialty Packaging in 2002. In 2001 includes a $21,116 charge related to the Food Packaging segment (including a net non-cash charge of $1,361) and a $11,689 charge related to the Protective and Specialty Packaging segment (including a net non-cash charge of $5,926). The 2000 period includes a non-cash credit of $1,247 related to the Food Packaging segment.

(2) Plant, equipment and other resources of the Food Packaging segment are used to manufacture films sold by the Protective and Specialty Packaging segment for non-food applications. A proportionate share of capital expenditures, assets, depreciation and other costs of manufacturing are allocated to the Protective and Specialty Packaging segment.

Note 3 Business Segment Information (Continued)

Geographic Information

	2002	2001	2000
Net sales:(1)			
United States	$ 1,758,761	$ 1,680,204	$ 1,689,467
Canada	100,805	93,460	92,559
Europe	819,531	775,673	762,271
Latin America	217,006	225,573	225,229
Asia Pacific	308,153	292,572	298,188
Total	$ 3,204,256	$ 3,067,482	$ 3,067,714
Total long-lived assets:(1)			
United States (2)	$ 2,589,109	$ 2,606,734	$ 2,635,928
Canada	27,273	26,999	31,228
Europe	328,920	309,211	307,700
Latin America	43,803	63,440	62,120
Asia Pacific	131,160	119,487	126,675
Total	$ 3,120,265	$ 3,125,871	$ 3,163,651

(1) Net sales attributed to the geographic areas represent trade sales to external customers. No non-U.S. country has net sales in excess of 10% of consolidated net sales or long-lived assets in excess of 10% of consolidated long-lived assets.

(2) Includes goodwill, net, of $1,926,244, $1,913,000 and $1,959,909 in 2002, 2001 and 2000, respectively.

Note 4 Accounts Receivable Securitization

In December 2001, the Company and certain of its U.S. subsidiaries entered into an accounts receivable securitization program (the "Receivables Facility") with a bank (the "Bank") and an issuer of commercial paper administered by the Bank (the "ICP"). Under the Receivables Facility, the Company's two primary operating subsidiaries, Cryovac, Inc. and Sealed Air Corporation (US) (the "Originators"), sell all of their eligible U.S. accounts receivable to Sealed Air Funding Corporation ("SA Funding Corp."), an indirectly wholly-owned subsidiary of the Company that was formed for the sole purpose of entering into the Receivables Facility. SA Funding Corp. in turn may sell undivided ownership interests in these receivables ("Receivables Interests") to the Bank and the ICP, subject to certain conditions, up to a maximum of $125,000 of Receivables Interests outstanding from time to time.

SA Funding Corp. retains the receivables it purchases from the Originators, except those as to which Receivables Interests are sold by it to the Bank or the ICP. Sales of accounts receivable by the Originators to SA Funding Corp. and sales of Receivables Interests from SA Funding Corp. to the Bank and the ICP have been structured as "true sales" under applicable laws, and the assets of SA Funding Corp. are not available to pay any creditors of the Company or of its subsidiaries or affiliates. These transactions are accounted for as sales of receivables under the provisions of SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities."

In order to secure the performance of their obligations under the Receivables Facility, SA Funding Corp. and the Originators granted a first priority security interest to the Bank, as agent, in certain collateral, including accounts receivable owned by them and proceeds and collections of those receivables. The Bank and the ICP have no recourse to the Company's, the Originators' or SA Funding Corp.'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 Facility has not occurred, the Originators service, administer and collect the receivables under the Receivables Facility as agent on behalf of SA Funding Corp., the Bank and the ICP. Prior to a termination event under the Receivables Facility, collections of receivables not otherwise required to be paid to the Bank or the ICP are used by SA Funding Corp. to purchase new eligible receivables from the Originators. The Company has undertaken to cause the Originators to perform their obligations under the Receivables Facility.

The scheduled expiration date for the Receivables Facility is December 7, 2004. The Bank has extended its commitment to make purchases of Receivables Interests from SA Funding Corp. from December 7, 2002 to January 26, 2004. However, under the terms of the extension, SA Funding Corp. may not sell any Receivables Interests to the Bank or the ICP until a definitive settlement agreement, satisfactory to the Bank, has been entered into relating to the asbestos settlement (see Note 18).

Under certain limited circumstances, the Bank and the ICP can terminate purchases of Receivables Interests prior to the above dates. Events that could result in termination of the Receivables Facility include a downgrade of the Company's long-term senior unsecured debt to BB- or below by Standard & Poor's Rating Services ("Standard & Poor's") or Ba3 or below by Moody's Investors Service, Inc. ("Moody's"), and failure to comply with interest coverage and debt leverage ratios. In connection with recording the accounting charge in the fourth quarter of 2002 for the asbestos settlement and related costs, the Company requested and received a waiver of compliance with the interest coverage and leverage ratios provided for in the Receivables Facility. After reflecting such waiver, the Company was in compliance with the requirements of the Receivables Facility as of December 31, 2002. Since such waiver was as of December 31, 2002, the Company anticipates that it will request a waiver or amendment for future applicable periods.

The Receivables Facility provides for the payment from time to time of program fees which, after the Bank's extension of the Facility to January 2004, were 0.45% per annum (0.375% per annum at December 31, 2002) on the Receivables Interests sold by SA Funding Corp. and commitment fees which were 0.40% per annum (0.325% per annum at December 31, 2002) on the unused portion of the $125,000 Receivables Facility.

During 2002, SA Funding Corp. sold Receivables Interests to the ICP from time to time; however, as of December 31, 2002, neither the Bank nor the ICP held any Receivables Interests.

In December 2001, receivables sold by the Originators to SA Funding Corp. amounted to approximately $176,900. SA Funding Corp. in turn sold Receivables Interests of $95,600 under the Receivables Facility, and this amount was removed from the Company's consolidated balance sheet. This amount was used to pay down certain of the Company's outstanding borrowings. SA Funding Corp. retained the remaining $81,300 of receivables that it acquired from the Originators. These retained receivables at December 31, 2001 were included in notes and accounts receivable on the

Company's consolidated balance sheet. The carrying amount of the retained receivables approximates fair value because of the relatively short-term nature of the receivables.

The costs associated with the Receivables Facility are included in other income (expense), net in the Company's consolidated statements of operations for the years ended December 31, 2002 and 2001. These costs primarily relate to the loss on the sale of the Receivables Interests to the Bank or the ICP, which were approximately $409 and $75 for 2002 and 2001, respectively, and program and commitment fees and other associated costs, which were approximately $400 and $343 for 2002 and 2001, respectively.

Note 5 Acquisitions

In 2002, 2001 and 2000, the Company made several acquisitions (including the acquisitions of Dolphin Packaging plc and Shanklin Corporation in the third and fourth quarters of 2000, respectively). These businesses were acquired for cash in the aggregate amount of $10,465, $36,007 and $237,541 in 2002, 2001 and 2000, respectively, and were accounted for under the purchase method of accounting. These acquisitions resulted in goodwill of approximately $7,300 in 2002, $16,700 in 2001 and $153,000 in 2000. In each year, cash used for acquisitions was net of cash acquired in those acquisitions. Cash acquired in acquisitions was not material in 2002 or 2001 and was $8,589 in 2000. The Company did not assume any debt in acquisitions in 2002. In 2001 and 2000, the Company assumed approximately $19,000 and $16,600, respectively, of debt in acquisitions. These acquisitions were not material to the Company's consolidated financial statements.

Note 6 Inventories

	December 31, 2002	December 31, 2001
Inventories (at FIFO, which approximates current cost):		
Raw materials	$ 76,893	$ 69,312
Work in process	71,287	65,148
Finished goods	198,440	174,968
	346,620	309,428
Reduction of certain inventories to LIFO basis	(17,171)	(20,858)
Total	$ 329,449	$ 288,570

Inventories accounted for on a LIFO basis represented approximately 40% of total inventories at December 31, 2002 and 2001, respectively.

Note 7 Property and Equipment

	December 31, 2002	December 31, 2001
Land and improvements	$ 27,335	$ 29,784
Buildings	449,945	413,320
Machinery and equipment	1,616,029	1,466,954
Other property and equipment	119,592	110,666
Construction-in-progress	79,560	139,448
	2,292,461	2,160,172
Accumulated depreciation and amortization	(1,279,444)	(1,109,734)
Property and equipment, net	$ 1,013,017	$ 1,050,438

Interest cost capitalized during 2002, 2001 and 2000 was $8,100, $6,800 and $3,300, respectively.

Note 8 Other Liabilities

	December 31, 2002	December 31, 2001
Other current liabilities:		
Accrued salaries, wages and related costs	$ 127,451	$ 94,145
Accrued operating expenses	90,520	90,927
Income taxes payable	85,837	71,263
Accrued customer volume rebates	65,963	49,832
Accrued dividends and interest	37,231	22,995
Accrued restructuring costs (Note 10)	6,570	19,697
Total	$ 413,572	$ 348,859

	December 31, 2002	December 31, 2001
Other liabilities:		
Other postretirement benefits	$ 2,470	$ 3,082
Non-U.S. statutory social security and pension obligations	37,128	33,395
Other various liabilities	29,382	29,205
Total	$ 68,980	$ 65,682

Non-U.S. statutory social security and pension obligations primarily represent the present value of the Company's unfunded future obligations for certain eligible, active non-U.S. employees based on actuarial calculations.

Note 9 Income Taxes

The components of (loss) earnings before income taxes were as follows:

	2002	2001	2000
Domestic	$ (561,409)	$ 213,689	$ 310,361
Foreign	169,476	83,763	103,068
Total	$ (391,933)	$ 297,452	$ 413,429

The components of the (benefit) provision for income taxes were as follows:

	2002	2001	2000
Current tax expense:			
Federal	$ 90,312	$ 82,124	$ 96,864
State and local	19,110	17,828	23,498
Foreign	64,922	49,886	47,387
Total current	174,344	149,838	167,749
Deferred tax (benefit) expense:			
Federal	(237,952)	2,089	14,769
State and local	(22,891)	449	3,668
Foreign	3,635	(11,621)	1,924
Total deferred	(257,208)	(9,083)	20,361
Total (benefit) provision	$ (82,864)	$ 140,755	$ 188,110

Deferred tax assets (liabilities) consist of the following:

	December 31,	
	2002	2001
Asbestos settlement	$ 261,893	$ —
Accruals not yet deductible for tax purposes	17,765	22,002
Foreign net operating loss carryforwards and investment tax allowances	17,659	16,256
Employee benefit items	12,778	12,226
Inventories	14,073	10,994
Other	6,242	9,165
Gross deferred tax assets	330,410	70,643
Valuation allowance	(17,521)	(15,956)
Total deferred tax assets	312,889	54,687
Depreciation and amortization	(108,684)	(111,216)
Unremitted foreign earnings	(43,673)	(39,645)
Intangibles	(27,953)	(27,021)
Pension	(18,605)	(19,008)
Capitalized interest	(8,617)	(10,166)
Other	(14,794)	(12,228)
Total deferred tax liabilities	(222,326)	(219,284)
Net deferred tax assets (liabilities)	$ 90,563	$ (164,597)

The U.S. federal statutory corporate tax rate reconciles to the Company's effective tax rate as follows:

	2002	2001	2000
Statutory U.S. federal tax rate	(35.0)%	35.0%	35.0%
State income taxes, net of federal tax benefit	(0.6)	4.0	4.3
Income taxes on foreign earnings	1.6	1.6	1.0
Goodwill amortization	—	6.2	4.1
Asbestos settlement	11.5	—	—
Non-deductible expenses	1.4	0.5	1.1

Effective tax rate	(21.1)%	47.3%	45.5%

The Company has concluded that it is more likely than not that the $312,889 balance of deferred tax assets, net of the valuation allowance of $17,521 at December 31, 2002, will be realized based upon anticipated future results. The valuation allowance is related to the uncertainty of utilizing $27,898 of foreign net operating loss carryforwards ($8,111 tax effected) and $33,603 of foreign investment tax allowances ($9,410 tax effected) that have no expiration period.

The Company provides for income taxes on those portions of its foreign subsidiaries' accumulated earnings that it believes are not reinvested indefinitely in their businesses. As of December 31, 2002, the Company has provided $43,673 of taxes in respect of such accumulated earnings.

Note 10 Restructuring Costs and Other Charges

2001 Restructuring Program

During 2001, based primarily on weakening economic conditions, especially in the U.S., the Company conducted a review of its business to reduce costs and expenses, simplify business processes and organizational structure, and to refine further the Company's manufacturing operations and product offerings. As a result of such review, which was completed in the fourth quarter of 2001, the Company announced and began implementing a restructuring program that resulted in charges to operations of $32,805 for 2001. Such charges included the following:

	Year Ended December 31, 2001
Employee termination costs	$ 23,877
Facility exit costs	1,641
Long-lived asset impairments	7,287
Total	$ 32,805

The portion of this restructuring charge related to the Company's food packaging segment was $21,116 and the portion applicable to the protective and specialty packaging segment was $11,689.

The Company originally expected to incur $25,518 of cash outlays to carry out this restructuring program. Such cash outlays included primarily severance and other personnel-related costs as well as lease and other contractual arrangement termination costs. As of December 31, 2002, the Company had made total cash payments of approximately $17,600, of which approximately $11,779 were made in 2002 and $5,821 were made in 2001. The cash restructuring liability recorded in 2001 of $25,518 was adjusted in 2002 for a net credit of $1,348, discussed below. After such cash outlays and the net credit,

the restructuring liability at December 31, 2002 was $6,570, representing cash outlays expected to be made in 2003 and future years, primarily for severance-related costs. The 2001 restructuring program was substantially completed at December 31, 2002.

The long-lived asset impairment of $7,287 included the following write-downs and write-offs:

	Year Ended December 31, 2001
Property, plant and equipment	$ 3,877
Goodwill	3,342
Certain other long-lived assets	68
Total	$ 7,287

These long-lived asset impairments related to decisions to rationalize and realign production of certain small product lines and to close several manufacturing and warehouse facilities in North America, Europe, South Africa and the Asia Pacific region. The annual reduction of depreciation and amortization expense as a result of such asset impairments was $365. The Company has disposed of all of the above property, plant and equipment.

During 2002, the Company made an adjustment to the original 2001 restructuring provision, resulting in a net credit to the consolidated statement of operations of $1,348. The portion of this net credit related to the Company's food packaging segment amounted to a credit of $2,957, while the portion applicable to the protective and specialty packaging segment amounted to a charge of $1,609. Such adjustment resulted from the completion of certain actions for amounts different than expected, certain headcount reductions obtained through attrition, and the revision of a plan to shut down one of the Company's manufacturing facilities.

As a result of the 2002 adjustments to the 2001 restructuring program, the Company now expects a net reduction in headcount of approximately 440 positions. This program originally estimated a net headcount reduction of approximately 470. The revised net headcount reduction was reduced by approximately 30 positions that were eliminated by attrition. This net reduction consists of the elimination of 677 positions from all geographic areas in which the Company does business but primarily from its manufacturing, sales and marketing functions in North America and Europe. As of December 31, 2002, 657 of these 677 positions had been eliminated. The Company also anticipates the addition of 237 positions in connection with its realignment or relocation of certain manufacturing activities.

The components of the restructuring charges, spending and other activity through December 31, 2002 and the remaining liability balance at December 31, 2002 were as follows:

	Employee Termination Costs	Plant/Office Exit Cost	Total Cost
Restructuring liability recorded in 2001	$ 23,877	$ 1,641	$ 25,518
Cash payments during 2001	(5,644)	(177)	(5,821)
Restructuring liability at December 31, 2001	18,233	1,464	19,697
Reversal of restructuring liability, net	(1,285)	(63)	(1,348)
Cash payments during 2002	(11,118)	(661)	(11,779)
Restructuring liability at December 31, 2002	$ 5,830	$ 740	$ 6,570

1998 Restructuring Program

All restructuring actions related to the 1998 restructuring program, consisting of final cash outlays for severance and other personnel-related costs, were completed during 2001 as follows:

	Employee Termination Costs
Restructuring liability at December 31, 2000	$ 537
Payments during 2001	(537)
Restructuring liability at December 31, 2001	$ —

Note 11 Employee Benefits and Incentive Programs

Profit-Sharing and Retirement Savings Plans

The Company has a non-contributory profit-sharing plan covering most of the Company's U.S. employees. Contributions to this plan, which are made at the discretion of the Board of Directors, may be made in cash, shares of the Company's common stock, or in a combination of cash and shares of the Company's common stock. The Company also maintains contributory thrift and retirement savings plans in which most U.S. employees of the Company are eligible to participate. The contributory thrift and retirement savings plans generally provide for Company contributions based upon the amount contributed to the plans by the participants. Company contributions to or provisions for its profit-sharing and retirement savings plans are charged to operations and amounted to $36,248, $26,064 and $22,004 in 2002, 2001 and 2000, respectively. In 2002 and 2001, there were no shares of common stock issued for the Company's contribution to its profit-sharing plan. The value of shares of common stock issued as part of the Company's contribution to the profit-sharing plan in 2000 was $13,877.

Pension Plans

The Company maintains pension plans for certain U.S. employees, including certain employees who are covered by collective bargaining agreements. Net periodic pension costs for all U.S. defined benefit pension plans charged to operations during 2002, 2001 and 2000 amounted to $1,008, $850 and $624, respectively. The balance sheets as of December 31, 2002 and 2001 include prepaid pension assets of $12,172 and $7,829, respectively. The aggregate benefit obligation at December 31, 2002 and 2001 amounted to $23,808 and $19,671, respectively, while the fair value of plan assets at such dates amounted to $21,046 and $18,862, respectively.

Certain of the Company's non-U.S. employees participate in defined benefit pension plans in their respective countries. The following presents the Company's funded status for 2002 and 2001 under SFAS No. 132 for its non-U.S. pension plans.

	2002	2001
Change in benefit obligation:		
Benefit obligation at beginning of period	$ 133,830	$ 137,126
Service cost	4,841	4,901
Interest cost	8,035	7,912
Plan amendment	445	—
Actuarial (gain) loss	(10,926)	873
Plan merger	(140)	—
Curtailment gain	—	(1,042)
Benefits paid	(7,612)	(10,864)
Employee contributions	1,145	926
Foreign exchange impact	15,064	(6,002)
Benefit obligation at end of period	$ 144,682	$ 133,830
Change in plan assets:		
Fair value of plan assets at beginning of period	$ 125,711	$ 150,478
Plan merger	(140)	—
Actual loss on plan assets	(17,412)	(9,796)
Employer contributions	10,341	1,809
Benefits paid	(7,612)	(10,864)
Assets transferred to defined contribution plan	(1,228)	(509)
Employee contributions	1,145	926
Foreign exchange impact	10,979	(6,333)
Fair value of plan assets at end of period	$ 121,784	$ 125,711
Funded status:		
Plan assets less than benefit obligation	$ (22,897)	$ (8,119)
Unrecognized net obligation	255	286
Unrecognized net prior service cost	990	712
Unrecognized net actuarial loss	58,699	39,320
Net asset recognized at end of period	$ 37,047	$ 32,199
Amount recognized in the consolidated balance sheet consists of:		
Prepaid benefit cost	$ 63,408	$ 53,039
Accrued benefit liability	(30,538)	(25,131)
Intangible asset	550	563
Accumulated other comprehensive income	3,627	3,728
Net amount recognized	$ 37,047	$ 32,199

The following presents the Company's pension expense for 2002, 2001 and 2000 under SFAS No. 132 for its non-U.S. pension plans.

	Year ended December 31, 2002	Year ended December 31, 2001	Year ended December 31, 2000
Components of net periodic benefit cost:			
Service cost	$ 4,841	$ 4,901	$ 6,754
Interest cost	8,035	7,912	7,390
Expected return on plan assets	(10,450)	(12,364)	(13,060)
Amortization of obligation (asset)	78	36	(159)

Amortization of prior service cost	135	110	115
Amortization of net actuarial loss	2,779	583	326
Net periodic pension cost	$ 5,418	$ 1,178	$ 1,366

The projected benefit obligation, accumulated benefit obligation, and fair value of plan assets for non-U.S. pension plans with accumulated benefit obligations in excess of plan assets were $41,831, $36,186 and $8,596 as of December 31, 2002, respectively, and $26,733, $24,009 and $7,612 as of December 31, 2001, respectively.

The following significant assumptions were used in calculating the non-U.S. pension cost and funded status presented above:

	2002	2001	2000
Discount rate at December 31	5.5%	5.8%	5.9%
Expected long-term rate of return	7.9%	8.1%	8.6%
Rate of compensation increase	3.4%	3.5%	3.9%

Note 12 Debt

A summary of debt at December 31, 2002 and 2001 follows:

	December 31, 2002	December 31, 2001
Short-term borrowings and current portion of long-term debt:		
Short-term borrowings	$ 53,355	$ 135,548
Current portion of long-term debt	2,049	1,943
Total current debt	55,404	137,491
Long-term debt, less current portion:		
Revolving Credit Agreement due March 2003	—	7,539
5.625% Euro Notes due July 2006, less discount of $790 and $844 in 2002 and 2001, respectively(1)	205,228	175,666
8.75% Senior Notes due July 2008, less discount of $1,201 and $3,999 in 2002 and 2001, respectively	298,799	296,001
6.95% Senior Notes due May 2009, less discount of $1,550 and $1,736 in 2002 and 2001, respectively	298,450	298,264
Other	65,553	10,641
Total long-term debt, less current portion	868,030	788,111
Total debt	$ 923,434	$ 925,602

(1) The carrying value of the Euro Notes increased approximately $29,000, primarily as a result of the strengthening of the euro compared to the U.S. dollar during 2002.

In March 2002, the Company refinanced a portion of its short-term borrowings in Australia and New Zealand under an Australian dollar 175,000 (approximately U.S. $92,300 at the then current exchange rate) dual-currency revolving credit facility that expires on March 12, 2005 (the "ANZ Facility"). This facility was made available to certain of the Company's Australian and New Zealand subsidiaries by a syndicate of banks, and such borrowings are guaranteed by the Company. The amount outstanding under this facility at December 31, 2002 was approximately $57,500. Such amount is included in other long-term debt in the table above.

Substantially all the Company's short-term borrowings of $53,355 at December 31, 2002 were outstanding under lines of credit available to various of the Company's U.S. and foreign subsidiaries. Amounts available under these credit lines as of December 31, 2002 and 2001 were approximately $209,000 and $326,000, respectively, of which approximately $155,000 and $190,000, respectively, were unused.

At December 31, 2002 and 2001, the Company had available committed and uncommitted lines of credit, including the credit lines discussed above, of approximately $832,000 and $1,046,000, respectively, of which approximately $721,000 and $903,000, respectively, were unused. Such credit lines include amounts available under the 2003 Facility (defined below), the 364-Day Facility (defined below) at December 31, 2001 and other lines of credit available to the Company's subsidiaries. As of December 31, 2002, the total lines of credit of $832,000 include committed lines of credit of approximately $622,000 and uncommitted lines of credit of approximately $210,000. Such committed lines of credit primarily include the 2003 Facility and the ANZ Facility. The Company is not subject to any material compensating balance requirements in connection with its lines of credit.

At December 31, 2002, the Company's principal revolving credit facility was a $525,000 facility that expires on March 30, 2003 (the "2003 Facility"). The 2003 Facility provides that the Company and certain of its subsidiaries may borrow for various purposes until the expiration or earlier termination of such Facility, including the refinancing of existing debt, the provision of working capital and other general corporate needs, including acquisitions, repurchases of the Company's outstanding common and preferred stock and capital expenditures.

Amounts repaid under the 2003 Facility may be re-borrowed from time to time prior to the expiration or earlier termination of the Facility. As of December 31, 2002, facility fees were payable at the rate of 0.095% per annum under the 2003 Facility on the total amounts available under the credit facility.

The obligations under the 2003 Facility bear interest at floating rates. The floating rates are generally determined by adding the applicable borrowing margin to the interbank rate for the relevant currency and time period. The weighted average interest rate for outstanding borrowings under the 2003 Facility was approximately 4.2% at December 31, 2001. There were no borrowings outstanding under the 2003 Facility as of December 31, 2002.

The 2003 Facility provides for changes in borrowing margins based on the Company's long-term senior unsecured debt ratings and certain financial criteria. The 2003 Facility, the ANZ Facility, the Euro Notes, the 8.75% Senior Notes and the 6.95% Senior Notes impose limitations on the operations of the Company and certain of its subsidiaries. These limitations include, depending upon the debt in question, financial covenants relating to interest coverage and debt leverage as well as restrictions on the incurrence of additional indebtedness, the creation of liens, sale and leaseback transactions, mergers and acquisitions and certain dispositions of assets. In connection with recording the accounting

charge in the fourth quarter of 2002 for the asbestos settlement and related costs, the Company requested and received a waiver of compliance with the interest coverage and leverage ratios provided for in the 2003 Facility. After reflecting such waiver, the Company was in compliance with the requirements of each of the above instruments as of December 31, 2002.

The Company had a 364-day $194,375 revolving credit facility (the "364-Day Facility") that the Company allowed to expire on March 22, 2002. No borrowings were outstanding under this Facility at the time of its expiration or at December 31, 2001.

Scheduled annual maturities of long-term debt, exclusive of debt discounts, for the five years subsequent to December 31, 2002 are as follows: 2003 — $2,049; 2004 — $2,013; 2005 — $59,973; 200 6 —$207,235; 2007 — $1,067; and thereafter — $601,283.

Note 13 Derivatives and Hedging Activities

Effective January 1, 2001, the Company adopted SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" as amended by SFAS No. 137 and SFAS No. 138 ("SFAS No. 133"), which requires that all derivative instruments be reported on the balance sheet at fair value and establishes criteria for designation and effectiveness of transactions entered into for hedging purposes. The cumulative effect of adopting SFAS No. 133 was not material to the Company's 2001 consolidated financial statements.

The Company is exposed to market risk, such as fluctuations in foreign currency exchange rates and changes in interest rates. To manage the volatility relating to these exposures, the Company enters into various derivative instruments from time to time pursuant to its risk management policies. Designation of derivative instruments as hedges is performed on a transaction basis to support hedge accounting. The changes in fair value of these hedging instruments are offset in part or in whole by corresponding changes in the fair value or cash flows of the underlying exposures being hedged. The Company assesses the initial and ongoing effectiveness of its hedging relationships in accordance with its documented policy. The Company does not purchase, hold or sell derivative financial instruments for trading purposes.

The Company's subsidiaries have foreign currency exchange exposure from buying and selling in currencies other than their functional currencies. The primary purpose of the Company's foreign currency hedging activities is to manage the potential changes in value associated with the amounts receivable or payable on transactions denominated in foreign currencies. At December 31, 2002 and 2001, the Company was party to foreign currency forward contracts, with aggregate notional amounts of approximately $146,910 maturing through April 2003 and $266,900, which matured through June 2002, respectively. Such contracts qualified and were designated as cash flow hedges, and had original maturities of less than twelve months.

In June 2002, the Company entered into two interest rate swap agreements (with a total notional amount of $50,000) that were qualified and designated as fair value hedges in accordance with SFAS No. 133. These agreements were entered into in order to, among other things, convert a portion of the 8.75% Senior Notes fixed rate debt into floating rate debt. During September 2002, the Company terminated these swaps and reflected a basis adjustment to the 8.75% Senior Notes for a portion of the cash received of approximately $2,416. Such amount is being amortized and reflected as a component of interest expense over the remaining life of the 8.75% Senior Notes. The Company was not party to any interest rate swap agreements at December 31, 2002 or 2001.

The Company may use other derivative instruments from time to time, such as options and collars to manage its exposure to fluctuations in interest rates, foreign exchange options to manage exposure to fluctuations in foreign exchange rates, and interest rate and currency swaps to gain access to additional sources of international financing while limiting foreign exchange exposure and limiting or adjusting interest rate exposure by swapping borrowings in one currency for borrowings denominated in another currency.

Gains and losses on derivatives qualifying as cash flow hedges are recorded in other comprehensive (loss) income, to the extent that such hedges are effective and until the underlying transactions are recognized in earnings, at which time such gains and losses are recognized in the consolidated statement of operations. Included in other comprehensive (loss) income for the years ended December 31, 2002 and 2001 were net unrealized losses of $29 after tax ($33 pre-tax), and net unrealized losses of $131 after tax ($210 pre-tax), respectively, all of which are expected to be included in the consolidated statement of operations within the next twelve months when the underlying transactions are recognized in the consolidated statement of operations. The unrealized amounts in other comprehensive (loss) income will fluctuate based on changes in the fair value of open contracts during each reporting period. The Company's practice is to terminate derivative transactions if the underlying asset or liability matures or is sold or terminated, or if the underlying forecasted transaction is no longer deemed to be probable of occurring. The Company's cash flow hedges for the years ended December 31, 2002 and 2001 were effective.

The Company is exposed to credit losses if the counterparties to its outstanding derivative contracts are unable to perform their obligations. However, it does not expect any counterparties to fail to perform as they are major financial institutions with high credit ratings and financial strength. Nevertheless, there is a risk that the Company's exposure to losses arising out of derivative contracts could be material if the counterparties to such agreements fail to perform their obligations.

Note 14 Financial Instruments

The Company is required by accounting principles generally accepted in the United States of America to disclose its estimate of the fair value of material financial instruments, including those recorded as assets or liabilities in its consolidated financial statements and derivative financial instruments. The carrying amounts of current assets and liabilities approximate fair value due to their short-term maturities. The fair value of the Company's 8.75% Senior Notes, 6.95% Senior Notes, Euro Notes and Series A convertible preferred stock are based on quoted market prices. The fair value estimates of the Company's various other debt instruments were derived 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. Such estimates are subjective and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the Company's estimates. The fair values of the Company's various derivative instruments, which are based on current market rates, generally reflect the estimated amounts that the Company would receive or pay to terminate the contracts at the reporting date.

All financial instruments inherently expose the holders to market risk, including changes in currency and interest rates. The Company manages its exposure to these market risks through its regular operating and financing activities and, when it considers appropriate, through the use of derivative financial instruments.

The Company uses derivative financial instruments from time to time to manage its exposure to fluctuations in interest rates and foreign exchange rates. The Company does not purchase, hold or sell derivative financial instruments for trading purposes. For further discussion of derivative instruments relating to the implementation of SFAS No. 133 see Note 13.

The carrying amounts and estimated fair values of the Company's financial instruments at December 31, 2002 and 2001 were as follows:

	2002		2001	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Derivative financial assets:				
Foreign currency forward contracts	$ —	$ —	$ 523	$ 523
Derivative financial liabilities:				
Foreign currency forward contracts	$ 33	$ 33	$ 210	$ 210
Financial liabilities:				
Debt:				
Credit Agreements	$ —	$ —	$ 7,539	$ 7,539
8.75% Senior Notes	298,799	333,000	296,001	303,075
6.95% Senior Notes	298,450	306,000	298,264	275,229
Euro Notes	205,228	196,747	175,666	156,370
Other foreign loans	117,469	116,404	143,828	142,622

Other loans		3,488		6,105		4,304		4,599
Total debt	$	923,434	$	958,256	$	925,602	$	889,434
Series A convertible preferred stock	$	1,327,005	$	1,130,608	$	1,366,154	$	1,132,542

The fair value of the debt in the table above differs from the carrying amount due to changes in interest rates based on the market conditions as of December 31, 2002. Generally, the fair value of fixed rate debt will increase as interest rates fall and decrease as interest rates rise. The carrying value of the Series A convertible preferred stock in the table above is reflected in the consolidated balance sheets at its mandatory redemption value of $50.00 per share. See Note 15 for further discussion of the convertible preferred stock.

The Company's subsidiaries have foreign currency exchange exposure from buying and selling in currencies other than their functional currencies. The primary purpose of the Company's foreign currency hedging activities is to manage the potential changes in value associated with the amounts receivable or payable on transactions denominated in foreign currencies. At December 31, 2002 and 2001, the Company was party to foreign currency forward contracts, with aggregate notional amounts of approximately $146,910 maturing through April 2003 and $266,900, which matured through June 2002, respectively.

Note 15 Shareholders' Equity

Common Stock

The following is a summary of changes during 2002, 2001 and 2000 in shares of common stock:

	2002	2001	2000
Changes in common stock:			
Number of shares, beginning of year	84,494,504	84,352,492	84,135,255
Shares issued for contingent stock	238,900	113,950	183,050
Non-cash compensation	2,605	7,926	10,800
Conversion of preferred stock	427	139	1,008
Exercise of stock options	27,911	19,997	22,379
Number of shares issued, end of year	84,764,347	84,494,504	84,352,492
Changes in common stock in treasury:			
Number of shares held, beginning of year	717,615	706,265	535,356
Contingent stock forfeited	5,800	11,850	21,550
Purchase of shares during period	—	—	494,737
Non-cash compensation	—	(500)	(60,000)
Profit sharing contribution	—	—	(285,378)
Number of shares held, end of year	723,415	717,615	706,265

Contingent Stock Plan and Directors Stock Plan

The Company's contingent stock plan provides for the granting to employees of awards to purchase common stock (during the succeeding 60-day period) for less than 100% of fair market value at the date of award. Shares issued under the contingent stock plan ("contingent stock") are restricted as to disposition by the holders for a period of at least three years after award. In the event of termination of employment prior to lapse of the restriction, the shares are subject to an option to repurchase by the Company at the price at which the shares were issued. Such restriction lapses prior to the expiration of the vesting period if certain events occur that affect the existence or control of the Company. The aggregate fair value of contingent stock issued is credited to common stock and additional paid-in capital accounts, and the unamortized portion of the compensation is deducted from shareholders' equity. The excess of fair value over the award price of contingent stock is charged to operations as compensation expense over a three-year period. Such charges amounted to $7,847, $9,962, and $16,015 in 2002, 2001 and 2000, respectively.

Non-cash compensation in 2002 comprises shares issued to non-employee directors in the form of awards under the Company's 2002 Stock Plan for Non-Employee Directors (the "2002 Directors Stock Plan"), which was approved by the stockholders of the Company at the 2002 annual meeting. The 2002 Directors Stock Plan provides for annual grants of shares to non-employee directors, and interim grants of shares to eligible directors elected at times other than at an annual meeting, at a price per share equal to the par value of the shares, as all or part of the annual or interim retainer fees for non-employee directors. During 2002, the Company adopted a plan that permits non-employee directors to elect to defer all or part of their annual retainer until the non-employee director retires from the Board. The non-employee director can elect to defer the portion of the annual retainer payable in shares of stock. If such an election is made, the non-employee director may also elect to

defer the portion, if any, of the annual retainer payable in cash. The excess of fair value over the price at which shares are issued under this plan is charged to operations at the date of such grant. Such charge amounted to $352 in 2002.

In 2001 and 2000, the Company made grants of shares to non-employee directors at a price of $1.00 per share under the then-effective Restricted Stock Plan for Non-Employee Directors (the "1998 Directors Stock Plan"), which was terminated when the 2002 Directors Stock Plan was approved. The excess of fair value over the price at which shares are issued under this plan is charged to operations at the date of such grant. Such charges amounted to $367 and $587 in 2001 and 2000, respectively. Shares issued under both plans are restricted as to disposition by the holders as long as such holders remain directors of the Company.

Amortization expense related to the issuance of 60,000 and 50,000 shares in 2000 and 1999, respectively, of the Company's common stock in exchange for certain non-employee consulting services was $1,639, $1,639 and $1,474, in 2002, 2001 and 2000, respectively. Such shares vest ratably over a three to five year period and are amortized on a straightline basis.

The Company has adopted only the disclosure provisions of SFAS No. 123, "Accounting for Stock-Based Compensation," but applies APB No. 25 and related interpretations in accounting for these plans. Since the compensation cost noted above is consistent with the compensation cost that would have been recognized for such plans under the provisions of SFAS No. 123, the pro forma disclosure requirements under such statement are not applicable for these plans.

A summary of the changes in shares available for the Contingent Stock Plan and the Directors Stock Plan follows:

	2002	2001	2000
Changes in Contingent Stock Plan shares:			
Number of shares available, beginning of year	1,484,450	1,587,050	1,748,550
Shares issued for new awards	(238,900)	(114,450)	(183,050)
Contingent stock forfeited	5,800	11,850	21,550
Number of shares available, end of year	1,251,350	1,484,450	1,587,050
Weighted average per share market value of stock on grant date	$ 30.27	$ 40.44	$ 48.96
Changes in Directors Stock Plan shares:			
Number of shares available, beginning of year	55,800	64,200	75,000
Shares no longer available under the 1998 Directors Stock Plan	(55,800)	—	—
Shares available under the 2002 Directors Stock Plan	100,000	—	—
Shares granted and issued	(2,605)	(8,400)	(10,800)
Shares granted and deferred	(5,293)	—	—
Number of shares available, end of year	92,102	55,800	64,200
Weighted average per share market value of stock on grant date	$ 44.65	$ 44.65	$ 55.31

Redeemable Preferred Stock — Series A Convertible Preferred Stock

The Company's Series A preferred stock is listed on the New York Stock Exchange and is convertible at any time into approximately 0.885 of a share of common stock for each share of preferred stock. These shares vote with the common stock on an as-converted basis and are entitled to receive cumulative cash dividends, when and as declared by the Board of Directors, at an annual rate of $2.00 per share, payable quarterly in arrears on the first business day of the succeeding calendar quarter. The Series A preferred stock ranks senior to the Company's common stock and junior to the Company's indebtedness. On and after March 31, 2003, the Series A preferred stock is redeemable at the option of the Company at a price of $51.00 per share declining ratably on each March 31 thereafter to $50.00 per share on and after March 31, 2008, plus any accrued and unpaid dividends. The Series A preferred stock is subject to mandatory redemption on March 31, 2018 at $50.00 per share, plus any accrued and unpaid dividends, to the extent these shares remain outstanding.

Because it is subject to mandatory redemption, the Series A convertible preferred stock is classified outside of the shareholders' equity section of the consolidated balance sheets. At its date of issuance, the fair value of the Series A preferred stock exceeded its mandatory redemption amount primarily due to the common stock conversion feature. Accordingly, the book value of the Series A preferred stock is reflected in the consolidated balance sheets at its mandatory redemption value.

During 2002, the Company repurchased 782,500 shares of the Company's convertible preferred stock at a cost of approximately $28,834, representing a cost of approximately $10,291 below its book value. During 2001, the Company repurchased 524,220 shares of the Company's convertible preferred stock at a cost of approximately $18,754, representing a cost of approximately $7,456 below its book value. This excess of book value over the purchase price of the preferred stock was recorded as an increase to additional paid-in-capital.

The following is a summary of changes during 2002, 2001 and 2000 in shares of the Company's Series A preferred stock:

	2002	2001	2000
Changes in preferred stock:			
Number of shares issued, beginning of year	27,358,084	28,282,362	36,015,645
Conversion of preferred stock	(485)	(158)	(1,146)
Retired repurchased preferred stock	—	(924,120)	(7,732,137)
Number of shares issued, end of year	27,357,599	27,358,084	28,282,362
Changes in preferred stock in treasury:			
Number of shares held, beginning of year	35,000	434,900	782,400
Purchase of shares during period	782,500	524,220	7,384,637
Retired repurchased preferred stock	—	(924,120)	(7,732,137)
Number of shares held, end of year	817,500	35,000	434,900

Stock Options

Stock option plans in which certain employees of the Cryovac packaging business participated were terminated effective March 31, 1998 in connection with the Cryovac Transaction except with respect to

options that remained outstanding as of such date, which were granted at an exercise price equal to their fair market value on the date of grant. Such options have terms expiring up to March 2007.

During 2002, 2001 and 2000, 27,911, 19,997 and 22,379 options, respectively, were exercised with an aggregate exercise price of $917, $504 and $860, respectively. At December 31, 2002, 2001 and 2000, 335,992, 371,178 and 395,116 options, respectively, to purchase shares of common stock were outstanding at an average per share exercise price of $38.66, $38.28 and $37.66, respectively.

The pro forma effect on earnings and earnings per common share of applying SFAS No. 123 for those options outstanding at the time of the termination of the plans were as follows:

	Year Ended December 31, 2000
Net earnings ascribed to common shareholders:	
As reported	$ 206,366
Pro forma(1)	$ 206,191
Basic earnings per common share:	
As reported	$ 2.47
Pro forma(1)	$ 2.46
Diluted earnings per common share:	
As reported	$ 1.93
Pro forma(1)	$ 1.93

(1) These pro forma amounts calculated in accordance with SFAS No. 123 may not be indicative of future net earnings or earnings per common share effects.

All options outstanding upon the termination of the plans in 1998 fully vested prior to January 1, 2001; therefore, there is no pro forma effect on earnings and earnings per common share as a result of applying SFAS No. 123 for subsequent years.

To compute the pro forma effect on earnings and earnings per common share in the table above, the fair value of 1997 option grants, the last year in which options were granted before termination of the plans, after giving effect to adjustments provided for in the Cryovac Transaction, was estimated using the Black-Scholes option pricing model with the following historical weighted average assumptions: dividend yields of 1%; expected volatility of 29%; risk-free interest rates of 6%; and 4 years of expected life.

Based on the above assumptions, the weighted-average fair value of each option granted in 1997 was $10.60 after giving effect to the Cryovac Transaction.

Note 16 Supplementary Cash Flow Information

	2002	2001	2000
Interest payments, net of amounts capitalized	$ 64,541	$ 65,225	$ 55,384
Income tax payments	$ 165,118	$ 141,661	$ 176,235
Non-cash items:			
Issuance of shares of common stock to the profit sharing plan	$ —	$ —	$ 13,877

Note 17 (Loss) Earnings Per Common Share

In calculating diluted (loss) earnings per common share, the weighted average number of common shares assumes the exercise of dilutive stock options in 2000 as well as the shares of preferred stock repurchased in each year. The shares of common stock reserved for issuance related to the asbestos settlement are not reflected in the 2002 loss per common share calculations since the effect would be anti-dilutive (i.e., would reduce the loss per common share). Except as noted in the table below, the outstanding preferred stock is not assumed to be converted in the calculation of diluted (loss) earnings per common share because the treatment of the preferred stock as the common stock into which it is convertible would be anti-dilutive (i.e., would reduce the loss per common share or increase earnings per common share) in those years.

The following table sets forth the reconciliation of the basic and diluted earnings per common share computations for the years ended December 31, 2002, 2001 and 2000 (shares in thousands).

	2002	2001	2000
Basic EPS:			
Numerator			
Net (loss) earnings	$ (309,069)	$ 156,697	$ 225,319
Add: Excess of book value over repurchase price of preferred stock	10,291	7,456	45,283
Less: Preferred stock dividends	53,845	55,024	64,266
Net (loss) earnings ascribed to common shareholders — basic	$ (352,623)	$ 109,129	$ 206,336
Denominator			
Weighted average common shares outstanding — basic	83,930	83,692	83,672
Basic (loss) earnings per common share	$ (4.20)	$ 1.30	$ 2.47
Diluted EPS:			
Numerator			
Net (loss) earnings ascribed to common shareholders — basic	$ (352,623)	$ 109,129	$ 206,336
Add: Dividends associated with repurchased preferred stock	772	302	8,423
Less: Excess of book value over repurchase price of preferred stock	10,291	7,456	45,283
Net (loss) earnings ascribed to common shareholders — diluted	$ (362,142)	$ 101,975	$ 169,476
Denominator			
Weighted average common shares outstanding — basic	83,930	83,692	83,672
Effect of conversion of repurchased preferred stock	358	208	4,189
Effect of assumed exercise of options	—	—	90
Weighted average common shares outstanding — diluted	84,288	83,900	87,951
Diluted (loss) earnings per common share(1)	$ (4.30)	$ 1.22	$ 1.93

(1) For the purpose of calculating diluted (loss) earnings per common share, net (loss) earnings ascribed to common shareholders have been adjusted to exclude the gains attributable to the repurchase of preferred stock and to add back dividends attributable to such repurchased preferred stock in each period, and the weighted average common shares outstanding have been adjusted to assume

conversion of the shares of preferred stock repurchased during each period in accordance with the FASB's Emerging Issues Task Force Topic D-53 guidance.

See Note 19 for a reconciliation of basic and diluted earnings per common share for the years ended December 31, 2001 and 2000 as if SFAS No. 142 were adopted January 1, 2000.

Note 18 Commitments and Contingencies

Asbestos Settlement and Related Costs

On November 27, 2002, the Company reached an agreement in principle with the appropriate parties to resolve all current and future asbestos-related claims made against it and its affiliates in connection with the Cryovac Transaction. The settlement will also resolve the fraudulent transfer claims, as well as indemnification claims by Fresenius, that had been made against the Company in connection with the Cryovac Transaction. On December 3, 2002, the agreement in principle was approved by the Company's Board of Directors. The Company was advised that both of the Committees had approved the agreement in principle as of December 5, 2002. For a description of the Cryovac Transaction, asbestos-related claims and the parties involved, see "Cryovac Transaction" and "Contingencies Related to the Cryovac Transaction" below.

The Company recorded a charge of $850,118 as a result of the asbestos settlement in the consolidated statement of operations as of December 31, 2002. Such expense consisted of the following items:

- a non-cash charge of $512,500 covering a cash payment required to be made by the Company upon the effectiveness of a plan of reorganization in the bankruptcy of New Grace. Because it is uncertain when such a plan of reorganization may become effective, this liability has been recorded as a current liability on the consolidated balance sheet as of December 31, 2002. Under the terms of the settlement, this amount accrues interest at a 5.5% annual rate from December 21, 2002 to the date of payment. Such interest through December 31, 2002, amounted to $861 and is included in interest expense in the consolidated statement of operations and in other current liabilities in the consolidated balance sheet.
- a non-cash charge of $321,480 representing the fair market value of 9,000,000 shares of the Company's common stock reserved for issuance pursuant to such settlement upon the effectiveness of New Grace's plan of reorganization. Such shares are subject to customary anti-dilution provisions (including the effects of stock splits, stock dividends and certain other events affecting the Company's common stock). Such fair market value was $35.72 per common share as of the close of business on December 5, 2002. Such amount has been recorded in the consolidated balance sheet as of December 31, 2002 as follows: $900 representing the aggregate par value of such shares has been recorded in common stock reserved for issuance related to the asbestos settlement and the remaining $320,580, representing the excess of the aggregate fair market value over the aggregate par value of such common shares, has been recorded in additional paid-in capital. The shares of common stock reserved for issuance related to the asbestos settlement are not reflected in the 2002 loss per common share calculations since the effect would be anti-dilutive (i.e., would reduce the loss per common share).
- $16,138 of legal and related fees.

In 2001, other expense in the consolidated statement of operations included $11,995 of expense of which $8,149 was primarily a result of the Company's guarantee, entered into at the time of the Cryovac Transaction, of certain debt payable by W. R. Grace & Co. — Conn., which filed for reorganization along with New Grace, and $3,846 of legal and related fees.

Cryovac Transaction

On March 31, 1998, the Company completed a multi-step transaction (the "Cryovac Transaction"), which brought the Cryovac packaging business and the former Sealed Air Corporation ("old Sealed

Air") 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 Cryovac packaging business, held by various direct and indirect subsidiaries of the Company, was separated from the remaining businesses of the Company. Such remaining businesses were then contributed to a company now known as W. R. Grace & Co. ("New Grace"), whose shares were distributed to the Company's stockholders. As a result, New Grace 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 old Sealed Air, which changed its name to Sealed Air Corporation (US). The agreements pursuant to which the Cryovac Transaction was carried out are referred to below as the "Transaction Agreements."

Contingencies Related to the Cryovac Transaction

In connection with the Cryovac Transaction, New 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. The liabilities retained by New Grace include, among others, liabilities relating to asbestos-containing products previously manufactured or sold by New 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 New Grace since the Cryovac

Transaction. The Transaction Agreements provided that, should any claimant seek to hold the Company, including any of its subsidiaries, responsible for liabilities of New Grace or its subsidiaries, including such asbestos-related liabilities, New Grace and its subsidiaries would indemnify and defend the Company.

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

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

fraudulent transfers, the Company could be required to return the property or its value to the transferor or could be required to fund certain liabilities of New Grace or its subsidiaries for the benefit of their creditors, including asbestos claimants. The Company has reached an agreement in principle, described below, that will resolve all such claims. Previously, the Company was unable to estimate the loss or range of loss in the event that there had been a finding that the Cryovac Transaction was a fraudulent transfer or gave rise to successor liability.

In the Joint Proxy Statement furnished to their respective stockholders in connection with the Cryovac Transaction, both Sealed Air and Grace stated that it was their belief that New Grace and its subsidiaries were adequately capitalized and would be adequately capitalized after the Cryovac Transaction and that none of the transfers contemplated to occur in the Cryovac Transaction would be a fraudulent transfer. They also stated their belief that the Cryovac Transaction complied with other relevant laws. However, if a court applying the relevant legal standards had reached conclusions adverse to the Company, such determination could have had a materially adverse effect on the Company's consolidated results of operations and financial position.

On April 2, 2001, New Grace and certain of its subsidiaries filed a petition for reorganization under Chapter 11 of the U.S. Bankruptcy Code in the U.S. Bankruptcy Court in the District of Delaware. New 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, New Grace filed an application with the Bankruptcy Court seeking to stay, among others, all actions brought against the Company (including certain of its subsidiaries) related to alleged asbestos liabilities of New 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 all such filed or pending actions against the Company were stayed and all such future actions are stayed upon filing and service on the Company. No further proceedings involving the Company can occur in the actions that have been stayed except upon further order of the Bankruptcy Court.

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

In June 2002, the court permitted the U.S. government to intervene as a plaintiff in the fraudulent transfer proceeding, so that the U.S. government could pursue allegations that remediation expenses at certain sites were underestimated or omitted in the solvency analyses of New Grace that were conducted at the time of the Cryovac Transaction. The court also permitted New 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 certain limitations, post-1998 claims should be considered in the solvency analysis of New Grace. The Company believes that only claims and liabilities that were known or

reasonably should have been known at the time of the 1998 Cryovac Transaction should be considered pursuant to the applicable standard. The trial was scheduled to commence December 9, 2002.

On November 27, 2002, the Company reached an agreement in principle with the Committees prosecuting the claims against the Company and Cryovac, Inc., to resolve all current and future asbestos-related claims arising from the Cryovac Transaction. On the same day, the court entered an order confirming that an amicable resolution of the disputes among the parties had been reached and that counsel for the Company and the Committees had agreed and bound the parties to the terms of the agreement in principle. As discussed above, the agreement in principle calls for payment of 9,000,000 shares of Sealed Air common stock and $512,500 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 the New Grace plan of reorganization, when payment must be made. Such shares are subject to customary anti-dilution provisions (including the effects of stock splits, stock dividends and certain other events affecting the Company's common stock). Pursuant to the agreement, the Company cannot seek indemnity from New Grace for this payment. On December 3, 2002, the agreement in principle was approved by the Company's Board of Directors. The Company was advised that both of the Committees had approved the agreement in principle as of December 5, 2002. The parties are jointly engaged in the process of drafting a definitive settlement agreement consistent with the terms of the agreement in principle. Once signed by the appropriate parties, the settlement agreement will be presented to the court for approval and will eventually be incorporated into New Grace's plan of reorganization and, assuming approval by New Grace's creditors as part of the approval of the plan of reorganization, will then be implemented.

The settlement, upon approval and implementation in the New Grace bankruptcy, will provide that, upon the effective date of New Grace's plan of reorganization and payment of the shares and cash, all present and future asbestos-related claims against the Company and its affiliates that arise from alleged asbestos liabilities of New Grace and its affiliates (including former affiliates that became affiliates of the Company through the Cryovac Transaction) will be channeled to and become the responsibility of one or more trusts to be established as part of New Grace's plan of reorganization. The settlement will also resolve all fraudulent transfer claims against the Company and its affiliates arising from the Cryovac Transaction as well as the claims of Fresenius described below. The settlement will provide that the Company and its affiliates will receive releases of all such claims. As a condition to the Company's obligation to make the payments required by the settlement, New Grace's plan of reorganization must be consistent with the terms of the settlement, including provisions for the trusts and releases referred to above and for an injunction barring the prosecution of any asbestos-related claims against the Company and its affiliates. It is expected that the order approving the settlement agreement will also provide that the stay of proceedings involving the Company described above will continue through the effective date of New Grace's plan of reorganization, after which the Company will be released from the liabilities asserted in those proceedings and their continued prosecution against the Company will be enjoined.

In January 2002, the Company filed a declaratory judgment action against Fresenius Medical Care Holdings, Inc., its parent, Fresenius AG, a German company, and certain of its affiliates (collectively, "Fresenius") in New York State court asking the court to resolve a contract dispute between the parties. Fresenius contended that the Company was obligated to indemnify Fresenius for certain liabilities that Fresenius might incur as a result of the 1996 Fresenius transaction mentioned above.

Fresenius's contention was based on its interpretation of the agreements between Fresenius and W. R. Grace & Co. — Conn. in connection with the 1996 Fresenius transaction. In February 2002, Fresenius announced that it had accrued a charge of $172,000 for such potential liabilities, which include pre-transaction tax liabilities of New Grace and the costs of defense of litigation arising from New Grace's Chapter 11 filing. The Company believed that it was not responsible to indemnify Fresenius under the 1996 agreements and filed the action in order to proceed to a resolution of Fresenius's claims. In April 2002, Fresenius filed a motion to dismiss the action and for entry of declaratory relief in its favor. The Company opposed the motion, and in June 2002, the court reserved decision after oral argument. No written order has been issued, and the parties have requested the court to defer issuing a ruling pending implementation of the definitive settlement agreement between the Company and the Committees. As noted above, as a result of the November 27, 2002 agreement in principle referred to above, the parties expect that there will be mutual releases exchanged between Fresenius and the Company releasing any and all claims related to the 1996 Fresenius transaction.

In view of New Grace's Chapter 11 filing, the Company may receive additional claims asserting that the Company is liable for obligations that New Grace had agreed to retain in the Cryovac Transaction and for which the Company may be contingently liable. To date, no material additional claims have been asserted or threatened against the Company.

Final determinations and accountings under the Transaction Agreements with respect to matters pertaining to the Cryovac Transaction had not been completed at the time of New Grace's Chapter 11 filing. The Company expects to file a claim in the bankruptcy proceeding that will include all of the costs and liabilities that it has incurred or may incur that New Grace agreed to retain or that are subject to indemnification by New Grace under the Transaction Agreements other than payments to be made under the settlement agreement. New Grace alleges that the Company is responsible for certain amounts under the Transaction Agreements. Any amounts for which the Company may be liable to New Grace may be used to offset New Grace's liabilities to the Company. Costs and liabilities for which the Company intends to seek indemnification by New Grace will also include certain defense costs related to asbestos and fraudulent transfer litigation and the Fresenius claims, the guaranteed debt paid by the Company described above, and any of the other potential claims against the Company mentioned above. Except to the extent of any potential setoff or similar claim, the Company expects that its claim will be as an unsecured creditor of New Grace. It is not currently possible to determine the amount of the Company's claim against New Grace, the extent to which such claim may be secured by setoff, how much of that claim may be allowed, or the amount of the Company's recovery on such claim, if any, in the bankruptcy proceeding.

Leases

The Company is obligated under the terms of various leases covering primarily warehouse and office facilities, as well as certain smaller manufacturing sites that it occupies. The Company accounts for substantially all of its leases as operating leases. Net rental expense was $24,264, $23,238 and $23,497 for 2002, 2001 and 2000, respectively. Estimated future minimum annual rental commitments under noncancelable real property leases are as follows: 2003 — $23,758; 2004 — $18,949; 2005 — $13,773; 2006 — $10,515; 2007 — $9,265; and subsequent years—$12,123.

Long-Term Commitments

The Company entered into the following long-term commitments during 2002:

- Approximately $36,000 for the purchase of certain equipment over an eight-year period beginning in 2003, together with a potential termination fee in an amount to be determined. The Company's obligation is reduced or increased based on market price changes for the equipment and certain indexes. Estimated future minimum annual commitments are as follows: 2003 — $3,500; 2004 — $3,900; 2005—$4,500; 2006 — $5,000; 2007 — $5,500; and subsequent years — $13,600. Failure to purchase any of the minimum annual requirements in any year obligates the Company to pay an amount of 45% of such shortfall.
- Approximately $9,500 to a supplier if the Company fails to purchase 142,700,000 pounds of certain raw materials, at the then current market price, over a ten-year period that began in May, 2002. The amount of the potential contingent payment declines in proportion to the Company's purchase of minimum quantities required under the contract. At December 31, 2002, the Company's purchases were in line with the minimum quantity requirements under the agreement.

Note 19 New Accounting Pronouncements

As required by SFAS No. 142, goodwill and intangible assets with indefinite useful lives had to be tested for impairment as of January 1, 2002 and then tested for impairment at least annually. As required by this statement, the Company completed its assessment process as of June 30, 2002 and determined that no impairment charge was necessary as of January 1, 2002 on a reporting unit basis. The Company also completed its annual testing for impairment for 2002 during the fourth quarter of 2002 and determined that no impairment charge was necessary on a reporting unit basis.

As of December 31, 2002 and 2001, the Company had unamortized goodwill in the amount of $1,926,244 and $1,913,000, respectively. Amortization expense related to goodwill was $57,005 and $51,776 in 2001 and 2000, respectively. Beginning January 1, 2002, in accordance with SFAS No. 142, the Company is no longer recording amortization expense related to goodwill. Although goodwill will no longer be systematically amortized, this statement requires that periodic reviews be conducted to assess whether or not the carrying amount of goodwill may be impaired. Such reviews could result in future write-downs of goodwill which would be reflected as a charge against operating income.

As of December 31, 2002 and 2001, the Company had identifiable intangible assets with definite useful lives with a gross carrying value of approximately $69,100 and $63,600, respectively, less accumulated amortization of approximately $47,700 and $40,100, respectively. Amortization of identifiable intangible assets was approximately $7,200 for 2002. Assuming no change in the gross carrying value of identifiable intangible assets from the value at December 31, 2002, the estimated amortization for the year ended December 31, 2003 and the next four succeeding years is approximately $7,200 per year. Such assets are reflected in "other assets" in the Company's consolidated balance sheets. At December 31, 2002 and 2001, there were no identifiable intangible assets, other than goodwill, with indefinite useful lives as defined by SFAS No. 142.

Note 19 New Accounting Pronouncements (Continued)

The following table sets forth the reconciliation of the basic and diluted earnings per common share computations for the years ended December 31, 2001 and 2000 as if SFAS No. 142 were adopted as of January 1, 2000:

	For the Year Ended December 31, 2001			For the Year Ended December 31, 2000		
	December 31, 2001 As Reported	Add Back: Goodwill Amortization	December 31, 2001 Adjusted	December 31, 2000 As Reported	Add Back: Goodwill Amortization	December 31, 2000 Adjusted
Basic EPS:						
Numerator						
Net earnings	$ 156,697	$ 57,005	$ 213,702	$ 225,319	$ 51,776	$ 277,095
Add: Excess of book value over repurchase price of preferred stock	7,456	—	7,456	45,283	—	45,283
Less: Preferred stock dividends	55,024	—	55,024	64,266	—	64,266
Net earnings ascribed to common shareholders — basic	$ 109,129	$ 57,005	$ 166,134	$ 206,336	$ 51,776	$ 258,112
Denominator						

Weighted average common shares outstanding — basic	83,692	—	83,692	83,672	—	83,672
Basic earnings per common share	$ 1.30	$ 0.69	$ 1.99	$ 2.47	$ 0.61	$ 3.08
Diluted EPS:						
Numerator						
Net earnings ascribed to common shareholders — basic	$ 109,129	$ 57,005	$ 166,134	$ 206,336	$ 51,776	$ 258,112
Less: Excess of book value over repurchase price of preferred stock	7,456	—	7,456	45,283	—	45,283
Add: Dividends associated with repurchased preferred stock	302	—	302	8,423	—	8,423
Net earnings ascribed to common shareholders — diluted	$ 101,975	$ 57,005	$ 158,980	$ 169,476	$ 51,776	$ 221,252
Denominator						
Weighted average common shares outstanding — basic	83,692	—	83,692	83,672	—	83,672
Effect of assumed exercise of options	—	—	—	90	—	90
Effect of conversion of repurchased preferred stock	208	—	208	4,189	—	4,189
Weighted average common shares outstanding — diluted	83,900	—	83,900	87,951	—	87,951
Diluted earnings per common share	$ 1.22	$ 0.67	$ 1.89	$ 1.93	$ 0.59	$ 2.52

On January 1, 2003, the Company will adopt SFAS No. 143, "Asset Retirement Obligations" ("SFAS No. 143"), which provides the accounting requirements for retirement obligations associated with tangible long-lived assets. This statement requires entities to record the fair value of a liability for an asset retirement obligation in the period in which it is incurred. The adoption of SFAS No. 143 is not expected to have a material impact on the Company's consolidated financial statements.

On January 1, 2002, the Company adopted SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS No. 144"), which excludes from the definition of long-lived assets goodwill and other intangibles that are not amortized in accordance with SFAS No. 142. SFAS No. 144 requires that the disposal of long-lived assets by sale be measured at the lower of carrying amount or fair value less cost to sell, whether reported in continuing operations or in discontinued operations. SFAS No. 144 also expands the reporting of discontinued operations to include components of an entity that have been or will be disposed of rather than limiting such discontinuance to a segment of a business. The adoption of SFAS No. 144 did not have a material impact on the Company's consolidated financial statements.

In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities" ("SFAS No. 146"). SFAS No. 146 nullifies Emerging Issues Task Force ("EITF") Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)" ("EITF 94-3") and requires that a liability for a cost associated with an exit or disposal activity be recognized and measured initially at fair value in the period in which the liability is incurred. Under EITF 94-3, a liability for an exit cost was required to be recognized at the date of an entity's commitment to an exit plan. The adoption of SFAS No. 146 is expected to result in delayed recognition for certain types of costs as compared to the provisions of EITF 94-3. SFAS No. 146 is effective for new exit or disposal activities that are initiated after December 31, 2002, and does not affect amounts currently reported in the Company's consolidated financial statements. SFAS No. 146 will affect the types and timing of costs included in future restructuring programs, if any.

On January 1, 2003, the Company will adopt SFAS No. 148, "Accounting for Stock-Based Compensation — Transition and Disclosure" ("SFAS No. 148"), which provides alternative methods of transition for companies that choose to switch to the fair value method of accounting for stock options. SFAS No. 148 also makes changes in the disclosure requirements for stock-based compensation, regardless of which method of accounting is chosen. As discussed in Note 15, the Company terminated all previously maintained stock option plans effective March 31, 1998 in connection with the Cryovac Transaction, except with respect to options that were still outstanding as of such date. The adoption of SFAS No. 148 is not expected to have a material impact on the Company's consolidated financial statements.

In November 2002, the FASB issued Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" ("Interpretation No. 45"). Interpretation No. 45 requires the disclosure of certain guarantees existing at December 31, 2002. The Company had no guarantees meeting the requirements of Interpretation No. 45 at December 31, 2002. In addition, Interpretation No. 45 requires the recognition of a liability for the fair value of the obligation of qualifying guarantee activities that are initiated or modified after

December 31, 2002. Accordingly, the Company will apply the recognition provisions of Interpretation No. 45 prospectively to applicable guarantee activities initiated after December 31, 2002.

In January 2003, the FASB issued Interpretation No. 46, "Consolidation of Variable Interest Entities" ("Interpretation No. 46"). Interpretation No. 46 requires that the assets, liabilities and results of the activity of variable interest entities be consolidated into the financial statements of the company that has the controlling financial interest. Interpretation No. 46 also provides the framework for determining whether a variable interest entity should be consolidated based on voting interests or significant financial support provided to it. Interpretation No. 46 will be effective for the Company on February 1, 2003 for variable interest entities created after January 31, 2003, and on July 31, 2003 for variable interest entities created prior to February 1, 2003. Based on its preliminary analysis of Interpretation No. 46, the Company does not currently expect the adoption of Interpretation No. 46 to have a material impact on its 2003 consolidated financial statements.

Note 20 Interim Financial Information (Unaudited)

(Amounts in thousands, except for per share data)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter(1)
2002				
Net sales	$ 746,087	$ 786,282	$ 825,816	$ 846,071
Gross profit	250,642	259,951	264,089	282,931
Net earnings (loss)	60,545	66,005	66,198	(501,817)
Preferred stock dividends	13,677	13,558	13,306	13,304
Earnings (loss) per common share — basic(2)	0.56	0.66	0.70	(6.12)
Earnings (loss) per common share — diluted(2)	0.56	0.61	0.62	(6.13)
2001				
Net sales	$ 758,272	$ 761,599	$ 766,221	$ 781,390
Gross profit	240,245	242,154	249,604	258,284
Net earnings	34,560	39,264	44,410	38,463
Preferred stock dividends	13,754	13,804	13,804	13,662
Earnings per common share — basic(2)	0.30	0.30	0.40	0.30
Earnings per common share — diluted(2)	0.25	0.30	0.37	0.30

(1) In November 2002, the Company reached an agreement in principle with the appropriate parties to resolve all current and future asbestos-related claims made against it and its affiliates in connection with the Cryovac Transaction. The settlement will also resolve the fraudulent transfer claims, as well as indemnification claims by Fresenius Medical Care Holdings, Inc. and affiliated companies, made against the Company in connection with the Cryovac Transaction. Due to the above settlement, the Company recorded a pre-tax charge of $850,118 in the consolidated statement of operations in 2002, which resulted in the Company's net loss for the year ended December 31, 2002. See Note 18 to the Consolidated Financial Statements.

(2) The sum of the four quarter's earnings per common share may not equal the amounts reported for the full year since each period is calculated separately.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

None.

PART III

Item 10. Directors and Executive Officers of the Registrant

Part of the information required in response to this Item is set forth in Part I of this Annual Report on Form 10-K under the caption "Executive

Officers of the Registrant," and the balance will be set forth in the Company's Proxy Statement for its 2003 Annual Meeting of Stockholders under the captions "Election of Directors — Information Concerning Nominees" and "Section 16(a) Beneficial Ownership Reporting Compliance." All such information is incorporated herein by reference.

Item 11. Executive Compensation

The information required in response to this Item will be set forth in the Company's Proxy Statement for its 2003 Annual Meeting of Stockholders under the captions "Director Compensation," "Executive Compensation — Summary Compensation Table" and "Meetings and Committees of the Board of Directors — Compensation Committee Interlocks and Insider Participation." Such information is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Except as set forth below, the information required in response to this Item will be set forth in the Company's Proxy Statement for its 2003 Annual Meeting of Stockholders under the caption "Voting Securities." Such information is incorporated herein by reference.

Equity Compensation Plan Information as of December 31, 2002

The following table provides information as of December 31, 2002 with respect to shares of Common Stock that may be issued under the Contingent Stock Plan of Sealed Air Corporation (the "Contingent Stock Plan") and the Sealed Air Corporation 2002 Stock Plan for Non-Employee Directors (the "2002 Directors Stock Plan").

Plan Category(1)	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted-Average Exercise Price of Outstanding Options, Warrants, and Rights (b)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) (c)
Equity compensation plans approved by stockholders(2)	109,043	(2)	1,343,452
Equity compensation plans not approved by stockholders	—	—	—
Total	109,043	—	1,343,452

(1) The table does not include information concerning equity compensation plans that have been terminated. Stock option plans in which certain employees of the Cryovac packaging business participated were terminated as of March 31, 1998 in connection with the Cryovac Transaction except with respect to options that were still outstanding as of such date. At December 31, 2002, a

total of 335,992 shares of Common Stock were issuable upon the exercise of those outstanding options at an average per share exercise price of $38.66.

(2) Consists of the Contingent Stock Plan and the 2002 Directors Stock Plan. Column (a) includes 103,750 shares awarded under the Contingent Stock Plan but not yet issued as of December 31, 2002, as well as 5,293 deferred stock units held by non-employee directors. The exercise price for shares awarded under the Contingent Stock Plan is $1.00 per share. The exercise price for deferred stock units held by non-employee directors is $0.10 per share, all of which had been paid to the Company prior to December 31, 2002.

Item 13. Certain Relationships and Related Transactions

None.

Item 14. Controls and Procedures

Within the 90 days prior to the filing of this report, the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Rule 13a-15 of the Securities Exchange Act of 1934 (the "Exchange Act"). Based upon that evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms. There were no significant changes in the Company's internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation.

PART IV

Item 15. Exhibits, Financial Statement Schedules, and Reports on Form 8-K

(a) Documents filed as a part of this Annual Report on Form 10-K:

(i) *Financial Statements and Financial Statement Schedule*

See Index to Consolidated Financial Statements and Schedule on page 36 of this Annual Report on Form 10-K.

(ii) *Exhibits*

Exhibit Number	Description
2.1	Distribution Agreement dated as of March 30, 1998 among the Company, W. R. Grace & Co.-Conn. ("Grace-Conn."), and New Grace. [Exhibit 2.2 to the Company's Current Report on Form 8-K, Date of Report March 31, 1998, File No. 1-12139, is incorporated herein by reference.]
3.1	Unofficial Composite Amended and Restated Certificate of Incorporation of the Company as currently in effect.
3.2	Amendment to the Certificate of Incorporation, effective February 4, 2003.
3.3	Amended and Restated By-Laws of the Company as currently in effect. [Exhibit 3.3 to the Company's Annual Report on Form 10-K for the year ended December 31, 2000, File No. 1-12139, is incorporated herein by reference.]
10.1	Employee Benefits Allocation Agreement dated as of March 30, 1998 among the Company, Grace-Conn. and New Grace. [Exhibit 10.1 to the Company's Current Report on Form 8-K, Date of Report March 31, 1998, File No. 1-12139, is incorporated herein by reference.]
10.2	Tax Sharing Agreement dated as of March 30, 1998 by and among the Company, Grace-Conn. and New Grace. [Exhibit 10.2 to the Company's Current Report on Form 8-K, Date of Report March 31, 1998, File No. 1-12139, is incorporated herein by reference.]
10.3	Restricted Stock Plan for Non-Employee Directors of the Company. [Annex E to the Company's Proxy Statement for the 1998 Annual Meeting of Stockholders is incorporated herein by reference.]*
10.4	Grace 1996 Stock Incentive Plan, as amended. [Exhibit 10.1 to the Quarterly Report on Form 10-Q of Grace for the quarter ended March 31, 1997, File No. 1-12139, is incorporated herein by reference.]*
10.5	Grace 1994 Stock Incentive Plan, as amended. [Exhibit 10.6 to the Current Report on Form 8-K filed October 10, 1996 of Grace, File No. 1-12139, is incorporated herein by reference.]*
10.6	Grace 1989 Stock Incentive Plan, as amended. [Exhibit 10.5 to the Current Report on Form 8-K filed October 10, 1996 of Grace, File No. 1-12139, is incorporated herein by reference.]*
10.7	Grace 1986 Stock Incentive Plan, as amended. [Exhibit 10.4 to the Current Report on Form 8-K filed October 10, 1996 of Grace, File No. 1-12139, is incorporated herein by reference.]*

10.8	Form of Contingent Stock Purchase Agreement-Section 162(m) Officer. [Exhibit 10.8 to the Company's Annual Report on Form 10-K for the year ended December 31, 2000, File No. 1-12139, is incorporated herein by reference.] *
10.9	Form of Contingent Stock Purchase Agreement-Officer. [Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2000, File No. 1-12139, is incorporated herein by reference.]*
10.10	Form of Restricted Stock Purchase Agreement. [Exhibit 4.4 to the Company's Registration Statement on Form S-8, Registration No. 333-59195, is incorporated herein by reference.]*
10.11	Global Revolving Credit Agreement (5-year) dated as of March 30, 1998 among the Company, certain of its subsidiaries including Cryovac, Inc., ABN AMRO Bank N.V., Bankers Trust Company, Bank of America National Trust and Savings

Association, NationsBank, N. A., and the other banks party thereto. [Exhibit 10.3 to the Company's Current Report on Form 8-K, Date of Report March 31, 1998, File No. 1-12139, is incorporated herein by reference.]

10.12 First Amendment, dated as of March 16, 1999, to Global Revolving Credit Agreement (5-year), among the Company, certain of the Company's subsidiaries as borrowers and guarantors thereunder, ABN AMRO Bank N.V., as Administrative Agent, and certain other banks party thereto. [Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1999, File No. 1-12139, is incorporated herein by reference.]

10.13 Second Amendment, dated as of June 2, 1999, to Global Revolving Credit Agreement (5-year), among the Company, certain of the Company's subsidiaries as guarantors and/or borrowers thereunder, ABN AMRO Bank N.V., as Administrative Agent, and certain other banks party thereto. [Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1999, File No. 1-12139, is incorporated herein by reference.]

10.14 Waiver, dated as of January 22, 2003, to Global Revolving Credit Agreement (5-year), among the Company, certain of the Company's subsidiaries as borrowers and/or guarantors thereunder, certain banks party thereto, and ABN AMRO Bank N.V., as Administrative Agent.

10.15 Consulting Agreement, dated as of February 29, 2000, between the Company and T. J. Dermot Dunphy. [Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2000, File No. 1-12139, is incorporated herein by reference.]*

10.16 Agreement, dated as of December 13, 2000, between the Company and Leonard R. Byrne. [Exhibit 10.20 to the Company's Annual Report on Form 10-K for the year ended December 31, 2000, File No. 1-12139, is incorporated herein by reference.]*

10.17 Sealed Air Corporation Performance-Based Compensation Program. [Annex A to the Company's Proxy Statement for the 2000 Annual Meeting of Stockholders is incorporated herein by reference.]*

10.18 Contingent Stock Plan of the Company, as amended. [Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2000, File No. 1-12139, is incorporated herein by reference.]*

10.19 Sealed Air Corporation 2002 Stock Plan for Non-Employee Directors. [Annex A to the Company's Proxy Statement for the 2002 Annual Meeting of Stockholders is incorporated herein by reference.]*

10.20 Form of Stock Purchase Agreement for use in connection with the Company's 2002 Stock Plan for Non-Employee Directors. [Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002, File No. 1-12139, is incorporated herein by reference.]*

10.21 Sealed Air Corporation Deferred Compensation Plan for Directors. [Exhibit 10.21 to the Company's Annual Report on Form 10-K for the year ended December 31, 2001, File No. 1-12139, is incorporated herein by reference.]*

10.22 Agreement in Principle, dated November 27, 2002, among the Company, the Company's subsidiary, Cryovac, Inc., the Official Committee of Asbestos Personal Injury Claimants and the Official Committee of Asbestos Property Damage Claimants.

21 Subsidiaries of the Company.

23 Consent of KPMG LLP.

99.1 Certification of William V. Hickey, Chief Executive Officer, and David H. Kelsey, Chief Financial Officer, of the Company, pursuant to 18 U.S.C. § 1350, dated March 28, 2003.

* Compensatory plan or arrangement of management required to be filed as an exhibit to this report on Form 10-K.

(b) Reports on Form 8-K:

The Company filed the following report under Item 5 of Form 8-K during the fiscal quarter ended December 31, 2002:

Date Of Report	Disclosures

November 27, 2002	The Company reported that it had reached an agreement in principle with all of the appropriate parties to resolve all of the current and future asbestos-related claims and the pending fraudulent transfer claims made against it and its affiliates relating to New Grace.

The Company furnished the following report under Item 9 of Form 8-K during the fiscal quarter ended December 31, 2002:

Date Of Report	Disclosures
December 16, 2002	The Company reported its anticipated range of earnings per share for 2003.

SEALED AIR CORPORATION AND SUBSIDIARIES
SCHEDULE II
Valuation and Qualifying Accounts and Reserves
Years Ended December 31, 2002, 2001 and 2000
(In thousands of dollars)

Description	Balance At Beginning Of Year	Charged To Costs And Expenses	Other	Deductions	Balance At End Of Year
Year ended December 31, 2002					
Allowance for doubtful accounts	$ 25,424	$ 5,224	$ (2,562)	$ (9,403)(1)	$ 18,683
Inventory obsolescence reserve	$ 30,331	$ 5,537	—	$ (7,795)(2)	$ 28,073
Year ended December 31, 2001					
Allowance for doubtful accounts	$ 21,171	$ 8,737	$ 855	$ (5,339)(1)	$ 25,424
Inventory obsolescence reserve	$ 24,324	$ 10,246	$ 734	$ (4,973)(2)	$ 30,331
Year ended December 31, 2000					
Allowance for doubtful accounts	$ 21,396	$ 3,783	$ 627	$ (4,635)(1)	$ 21,171
Inventory obsolescence reserve	$ 27,061	$ 1,778	$ 131	$ (4,646)(2)	$ 24,324

(1) Primarily accounts receivable balances written off.

(2) Primarily items removed from inventory.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SEALED AIR CORPORATION
(Registrant)

Date: March 28, 2003

By: /s/ William V. Hickey

William V. Hickey
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Date

By	/s/ William V. Hickey	March 28, 2003
	William V. Hickey President, Chief Executive Officer and Director (Principal Executive Officer)	
By	/s/ David H. Kelsey	March 28, 2003
	David H. Kelsey Vice President and Chief Financial Officer (Principal Financial Officer)	
By	/s/ Jeffrey S. Warren	March 28, 2003
	Jeffrey S. Warren Controller (Principal Accounting Officer)	
By	/s/ Hank Brown	March 28, 2003
	Hank Brown Director	
By	/s/ Michael Chu	March 28, 2003
	Michael Chu Director	

By	/s/ Lawrence R. Codey	March 28, 2003
	Lawrence R. Codey Director	
By	/s/ T. J. Dermot Dunphy	March 28, 2003
	T. J. Dermot Dunphy Director	
By	/s/ Charles F. Farrell, Jr.	March 28, 2003
	Charles F. Farrell, Jr. Director	
By	/s/ Shirley Ann Jackson	March 28, 2003
	Shirley Ann Jackson Director	
By	/s/ Kenneth P. Manning	March 28, 2003
	Kenneth P. Manning Director	
By	/s/ William J. Marino	March 28, 2003
	William J. Marino Director	

CERTIFICATIONS

I, William V. Hickey, President and Chief Executive Officer, certify that:

1. I have reviewed this annual report on Form 10-K of Sealed Air Corporation;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

    a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

    b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

    c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

    a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

    b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 28, 2003

/s/ William V. Hickey

William V. Hickey
President and Chief Executive Officer

CERTIFICATIONS

I, David H. Kelsey, Vice President and Chief Financial Officer, certify that:

1. I have reviewed this annual report on Form 10-K of Sealed Air Corporation;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all

material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

    a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

    b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

    c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

    a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

    b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 28, 2003

/s/ DAVID H. KELSEY

David H. Kelsey
Vice President and Chief Financial Officer

QuickLinks

Exhibit 3.1

(Unofficial Composite Copy through filing effective February 4, 2003)

AMENDED AND RESTATED CERTIFICATE OF INCORPORATION
OF
SEALED AIR CORPORATION

FIRST: The name of the corporation is Sealed Air Corporation (the " **Corporation**").

SECOND: The registered office of the Corporation in the State of Delaware is to be located at The Prentice-Hall Corporation System, Inc., 1013 Centre Road, Wilmington, New Castle County, Delaware 19805. Its registered agent at such address is The Prentice-Hall Corporation System, Inc.

THIRD: The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware.

FOURTH: The total number of shares of stock which the Corporation shall have authority to issue is 450,000,000, consisting of 400,000,000 shares of Common Stock, par value $0.10 per share (the " **Common Stock**"), and 50,000,000 shares of Preferred Stock, par value $0.10 per share (the "**Preferred Stock**").

The Preferred Stock may be issued from time to time in one or more series. The powers, designations, preferences and other rights and qualifications, limitations or restrictions of the Preferred Stock of each series shall be such as are stated and expressed in this Article Fourth and, to the extent not stated and expressed herein, shall be such as may be fixed by the Board of Directors (authority so to do being hereby expressly granted) and stated and expressed in a resolution or resolutions adopted by the Board of Directors providing for the initial issue of Preferred Stock of such series. Such resolution or resolutions shall (a) fix the dividend rights of holders of shares of such series, (b) fix the terms on which stock of such series may be redeemed if the shares of such series are to be redeemable, (c) fix the rights of the holders of stock of such series upon dissolution or any distribution of assets, (d) fix the terms or amount of the sinking fund, if any, to be provided for the purchase or redemption of stock of such series, (e) fix the terms upon which the stock of such series may be converted into or exchanged for stock of any other class or classes or of any one or more series of Preferred Stock if the shares of such series are to be convertible or exchangeable, (f) fix the voting rights, if any, of the shares of such series and (g) fix such other powers, designations, preferences and relative, participating, optional or other special rights, and qualifications, limitations or restrictions thereof desired to be so fixed.

Except to the extent otherwise provided in the resolution or resolutions of the Board of Directors providing for the initial issue of shares of a particular series or expressly

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required by law, holders of shares of Preferred Stock of any series shall be entitled to one vote for each share thereof so held, shall vote share for share with the holders of the Common Stock without distinction as to class and shall not be entitled to vote separately as a class or series of a class. The number of shares of Preferred Stock authorized to be issued may be increased or decreased from time to time by the affirmative vote of the holders of a majority of the voting power of the then outstanding Voting Stock, and the holders of the Preferred Stock shall not be entitled to vote separately as a class or series of a class on any such increase or decrease. For the purposes of this Amended and Restated Certificate of Incorporation, "Voting Stock" shall mean the outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors.

All shares of any one series of Preferred Stock shall be identical with each other in all respects except that shares of any one series issued at different times may differ as to the dates from which dividends thereon shall accumulate, and all series of Preferred Stock shall rank equally and be identical in all respects except as specified in the respective resolutions of the Board of Directors providing for the initial issue thereof.

Subject to the prior and superior rights of the Preferred Stock as set forth in any resolution or resolutions of the Board of Directors providing for the initial issuance of any particular series of Preferred Stock, such dividends (payable in cash, stock or otherwise) as may be determined by the Board of Directors may be declared and paid on the Common Stock from time to time out of any funds legally available therefor and the Preferred Stock shall not be entitled to participate in any such dividend.

One series of Preferred Stock authorized hereby shall be Series A Convertible Preferred Stock, as follows:

1. ***Number of Shares and Designation.*** 26,547,699 shares of Preferred Stock of the Corporation shall constitute a series of Preferred Stock designated as Series A Convertible Preferred Stock (the "**Series A Preferred Stock**"). The number of shares of Series A Preferred Stock may be increased (to the extent of the Corporation's authorized and unissued Preferred Stock) or decreased (but not below the number of shares of Series A Preferred Stock then outstanding) by further resolution duly adopted by the Board of Directors and the filing of a certificate of increase or decrease, as the case may be, with the Secretary of State of Delaware.

2. ***Rank.*** The Series A Preferred Stock shall, with respect to payment of dividends, redemption payments and rights upon liquidation, dissolution or winding up of the affairs of the Corporation, (i) rank senior and prior to the Common Stock and each other class or series of equity securities of the Corporation, whether currently issued or issued in the future, that by its terms ranks junior to the Series A Preferred Stock (whether with respect to payment of dividends, redemption payments or rights upon liquidation, dissolution or winding up of the affairs of the Corporation) (all of such equity securities, including the Common Stock, are collectively referred to herein as the " **Junior Securities**"), (ii) rank on a parity with each other class or series of equity securities of the Corporation (other than the Common Stock), whether currently issued or issued in the future, that does not by its terms expressly provide that it ranks senior to or junior to the Series A Preferred Stock (whether with respect to payment of dividends, redemption payments or rights upon liquidation, dissolution or winding up of the affairs of the Corporation) (all of such equity securities are collectively referred to herein as the " **Parity Securities**"), and (iii) rank junior to each other class or series of equity securities of the Corporation, whether currently issued or issued in the future, that by its terms ranks senior to the Series A Preferred Stock (whether with respect to payment of dividends, redemption payments or rights upon liquidation, dissolution or winding up of the affairs of the Corporation) (all of such equity securities are collectively referred to herein as the " **Senior Securities**"). The respective definitions of Junior Securities, Parity Securities and Senior Securities shall also include any rights or options exercisable or exchangeable for or convertible into any of the Junior Securities, Parity Securities or Senior Securities, as the case may be.

3. Dividends.

(a) The holders of shares of Series A Preferred Stock shall be entitled to receive, when, as and if declared by the Board of Directors, out of funds legally available for the payment of dividends, cash dividends at the annual rate of $2.00 per share. Such dividends shall be payable quarterly in arrears, in equal amounts, on April 1, July 1, October 1 and January 1 of each year (unless such day is not a Business Day (as defined below), in which event such dividends shall be payable on the next succeeding Business Day), commencing July 1, 1998 (each such payment date being a " **Dividend Payment Date**" and from the date of issuance until the first Dividend Payment Date and each such quarterly period thereafter being a " **Dividend Period**"). Dividends on shares of Series A Preferred Stock shall be cumulative from the date of issue, whether or not in any Dividend Period there shall be funds of the Corporation legally available for the payment of dividends. The amount of dividends payable for each full Dividend Period shall be computed by dividing the annual dividend rate by four. The amount of dividends payable on the Series A Preferred Stock for the initial Dividend Period, or for any other period shorter or longer than a full Dividend Period, shall be computed on the basis of a 360-day year of twelve 30-day months. As used herein, the term " **Business Day**" means any day except a Saturday, Sunday or day on which banking institutions are legally authorized to close in the City of New York.

(b) Each dividend shall be payable to the holders of record of shares of Series A Preferred Stock as they appear on the stock records of the Corporation at the close of business on such record dates (each, a " **Dividend Payment Record Date**"), which shall be not more than 60 days nor less than 10 days preceding the Dividend Payment Date thereof, as shall be fixed by the Board of Directors. Accrued and unpaid dividends for any past Dividend Periods may be declared and paid at any time, without reference to any Dividend Payment Date, to holders of record on such date, not more than 60 days nor less than 10 days preceding the payment date thereof, as may be fixed by the Board of Directors. No interest, or sum of money in lieu of interest, shall be payable in respect of any dividend payment or payments on the Series A Preferred Stock that may be in arrears.

(c) Except as described in the next succeeding sentence, so long as any shares of Series A Preferred Stock are outstanding, (i) no dividends shall be declared or paid or set apart for payment, or other distribution declared or made, on any Parity Securities for any period unless the Corporation has paid or contemporaneously pays or declares and sets apart for payment on the Series A Preferred Stock all accrued and unpaid dividends for all Dividend Periods terminating on or prior to the date of payment of such dividends, and (ii) no dividends shall be declared or paid or set apart for payment, or other distribution declared or made, on the Series A Preferred Stock for any Dividend Period unless the Corporation has paid or contemporaneously pays or declares and sets apart for payment on any Parity Securities all accrued and unpaid dividends for all dividend payment periods terminating on or prior to the Dividend Payment Date for such dividends. Unless and until dividends accrued but unpaid in respect of all past Dividend Periods with respect to the Series A Preferred Stock and all past dividend periods with respect to any Parity Securities at the time outstanding shall have been paid in full or a sum sufficient for such payment is set apart, all dividends declared by the Corporation upon shares of Series A Preferred Stock and upon all Parity Securities shall be declared ratably in proportion to the respective amounts of dividends accrued and unpaid on the Series A Preferred Stock and Parity Securities.

(d) So long as any shares of Series A Preferred Stock are outstanding, no dividends shall be declared or paid or set apart for payment, or other distribution declared or made, upon any Junior Securities (other than dividends or distributions paid in shares of, or options, warrants or rights to subscribe for or purchase shares of Junior Securities), nor shall any Junior Securities be redeemed, purchased or otherwise acquired (other than a redemption, purchase or other acquisition of shares of Common Stock made for purposes of any employee or director incentive or benefit plans or arrangements of the Corporation or any subsidiary of the Corporation) for any consideration (nor shall any moneys be paid to or made available for a sinking fund for the redemption of any shares of any such Junior Securities) by the Corporation, directly or indirectly (except by conversion into or exchange for Junior Securities), unless in each case (i) the full cumulative dividends on all outstanding shares of Series A Preferred Stock and any other Parity Securities shall have been paid or set apart for payment for all past Dividend Periods with respect to the Series A Preferred Stock and all past dividend periods with respect to such Parity Securities and (ii) sufficient funds shall have been paid or set apart for the payment of the dividend for the current Dividend Period with respect to the Series A Preferred Stock and for the current dividend period with respect to such Parity Securities.

(e) The Corporation shall not, directly or indirectly, make any payment on account of any purchase, redemption, retirement or other acquisition of any Parity Securities (other than for consideration payable solely in Junior Securities) unless all accrued and unpaid dividends on the Series A Preferred Stock for all Dividend Payment Periods ending on or before such payment for such Parity Securities shall have been paid or declared and set apart for payment.

(f) If at any time the Corporation issues any Senior Securities and the Corporation shall have failed to declare and pay or set apart for payment accrued and unpaid dividends on such Senior Securities, in whole or in part, then (except to the extent allowed by the terms of the Senior Securities) no dividends shall be declared or paid or set apart for payment on the Series A Preferred Stock unless and until all accrued and unpaid dividends with respect to the Senior Securities, including the full dividends for the then-current dividend period, shall have been declared and paid or set apart for payment.

***4. Liquidation Preference*.**

(a) The liquidation preference for the shares of Series A Preferred Stock shall be $50.00 per share, plus an amount equal to the dividends accrued and unpaid thereon, whether or not declared, to the payment date (the " **Liquidation Value**").

(b) In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Corporation, the holders of shares of Series A Preferred Stock (i) shall not be entitled to receive the Liquidation Value of such shares until payment in full or provision has been made for the payment in full of all claims of creditors of the Corporation and the liquidation preferences for all Senior Securities, and (ii) shall be entitled to receive the Liquidation Value of such shares before any payment or distribution of any assets of the Corporation shall be made or set apart for holders of any Junior Securities. Subject to clause (i) above, if the assets of the Corporation are not sufficient to pay in full the Liquidation Value payable to the holders of shares of Series A Preferred Stock and the liquidation preference payable to the holders of any Parity Securities, then such assets, or the proceeds thereof, shall be distributed among the holders of shares of Series A Preferred Stock and any such other Parity Securities ratably in accordance with the Liquidation Value for the Series A Preferred Stock and the liquidation preference for the Parity Securities, respectively. Upon payment in full of the Liquidation Value to which the holders of shares of Series A Preferred Stock are entitled, the holders of shares of Series A Preferred Stock will not be entitled to any further participation in any distribution of assets of the Corporation.

(c) Neither a consolidation or merger of the Corporation with or into any other entity, nor a merger of any other entity with or into the Corporation, nor a sale or transfer of all or any part of the Corporation's assets for cash, securities or other property shall be considered a liquidation, dissolution or winding up of the Corporation within the meaning of this Section 4.

***5. Redemption*.**

(a) *Optional Redemption*. The Series A Preferred Stock shall not be redeemable prior to March 31, 2001. During the period from March 31, 2001 until March 31, 2003, the Corporation may redeem at its option shares of Series A Preferred Stock in accordance with this Section 5 only if the last reported sales price of a share of Common Stock in its principal trading market for any 20 trading days within a period of 30 consecutive trading days ending on the trading day prior to the date of mailing the notice of redemption is at least $70.6563 (subject to equitable adjustment in circumstances giving rise to adjustment of the Conversion Price under Section 7(c)). At any time on or after March 31, 2001, to the extent the Corporation shall have funds legally available to redeem shares of Series A Preferred Stock and if permitted by the immediately preceding sentence, the Corporation may redeem shares of Series A Preferred Stock, in whole or in part, at the option of the Corporation, at the applicable cash redemption price per share set forth below for any redemption during the 12-month period beginning on March 31 of the year indicated:

Year	Redemption Price Per Share	
2001	$	51.40
2002	$	51.20
2003	$	51.00
2004	$	50.80
2005	$	50.60
2006	$	50.40
2007	$	50.20
Thereafter	$	50.00

plus, in each case, an amount equal to the dividends accrued and unpaid thereon, whether or not declared, up to but not including the redemption date. From and after March 31, 2008, the Corporation may redeem shares of Series A Preferred Stock, at any time in whole or in part, at the option of the Corporation, at a cash redemption price per share of $50.00 plus an amount equal to the dividends accrued and unpaid thereon, whether or not declared, up to but not including the redemption date.

(b) *Mandatory Redemption*. To the extent the Corporation shall have funds legally available for such payment, on March 31, 2018 (the "**Mandatory Redemption Date**"), the Corporation shall redeem all outstanding shares of Series A Preferred Stock at a redemption price of $50.00 per share in cash, together with accrued and unpaid dividends thereon, whether or not declared, up to but not including such redemption date, without interest. If the Corporation is unable or shall fail to discharge its obligation to redeem all outstanding shares of Series A Preferred Stock on the Mandatory Redemption Date (the "**Mandatory Redemption Obligation**"): (i) dividends on the Series A Preferred Stock shall continue to accrue, without interest, in accordance with Section 3, and (ii) the Mandatory Redemption

Obligation shall be discharged as soon thereafter as the Corporation is able to discharge such Mandatory Redemption Obligation. If and for so long as any

Mandatory Redemption Obligation with respect to the Series A Preferred Stock shall not be fully discharged on the Mandatory Redemption Date, the Corporation shall not (x) directly or indirectly, redeem, purchase, or otherwise acquire any Parity Securities or discharge any mandatory or optional redemption, sinking fund or other similar obligation in respect of any Parity Securities (except in connection with a redemption, sinking fund or other similar obligation to be satisfied pro rata with the Series A Preferred Stock) or (y) declare or pay or set apart for payment any dividends or other distributions upon any Junior Securities, or, directly or indirectly, discharge any mandatory or optional redemption, sinking fund or other similar obligation in respect of any Junior Securities.

6. Procedures for Redemption.

(a) If fewer than all of the outstanding shares of Series A Preferred Stock are to be redeemed pursuant to Section 5, the shares shall be redeemed on a *pro rata* basis (according to the number of shares of Series A Preferred Stock held by each holder, with any fractional shares rounded to the nearest whole share) or in such other manner as the Board of Directors may determine, as may be prescribed by resolution of the Board of Directors. Notwithstanding the provisions of Section 5 and this Section 6, unless full cumulative cash dividends (whether or not declared) on all outstanding shares of Series A Preferred Stock shall have been paid or contemporaneously are declared and paid or set apart for payment for all Dividend Periods terminating on or prior to the applicable redemption date, none of the shares of Series A Preferred Stock shall be redeemed, and no sum shall be set aside for such redemption, unless shares of Series A Preferred Stock are redeemed pro rata.

(b) In the event of a redemption of shares of Series A Preferred Stock pursuant to Section 5, notice of such redemption shall be given by first class mail, postage prepaid, mailed not less than 15 days nor more than 60 days prior to the redemption date, to each holder of record of the shares to be redeemed at such holder's address as the same appears on the stock register of the Corporation; provided that neither the failure to give such notice nor any defect therein shall affect the validity of the giving of notice for the redemption of any share of Series A Preferred Stock to be redeemed, except as to the holder to whom the Corporation has failed to give said notice or except as to the holder whose notice was defective. Each such notice shall state: (i) the redemption date; (ii) the number of shares of Series A Preferred Stock to be redeemed and, if fewer than all the shares held by such holder are to be redeemed, the number of shares to be redeemed from such holder; (iii) the redemption price; (iv) the place or places where certificates for such shares are to be surrendered for payment of the redemption price; and (v) that dividends on the shares to be redeemed will cease to accrue on such redemption date. Any notice mailed in the manner herein provided shall be conclusively presumed to have been duly given whether or not the holder receives the notice.

(c) If a notice of redemption has been given pursuant to Section 6(b) and if, on or before the redemption date, the funds necessary for such redemption (including all

dividends on the shares of Series A Preferred Stock to be redeemed that will accrue to but not including the redemption date) shall have been set aside by the Corporation, separate and apart from its other funds, in trust for the *pro rata* benefit of the holders of the shares so called for redemption, then on the redemption date, notwithstanding that any certificates for such shares have not been surrendered for cancellation, (i) dividends shall cease to accrue on the shares of Series A Preferred Stock to be redeemed, (ii) the holders of such shares shall cease to be stockholders with respect to those shares, shall have no interest in or claims against the Corporation by virtue thereof and shall have no voting or other rights with respect thereto, except the conversion rights provided in Section 7 (in accordance with Section 6(e)) and the right to receive the monies payable upon such redemption, without interest thereon, upon surrender (and endorsement, if required by the Corporation) of their certificates, and (iii) the shares evidenced thereby shall no longer be outstanding. Subject to applicable escheat laws, any monies so set aside by the Corporation and unclaimed at the end of two years from the redemption date shall revert to the general funds of the Corporation, after which reversion the holders of such shares so called for redemption shall look only to the general funds of the Corporation for the payment of the redemption price, without interest. Any interest accrued on funds so deposited shall belong to the Corporation and be paid thereto from time to time.

(d) Upon surrender in accordance with the Corporation's notice of redemption of the certificates for any shares so redeemed (properly endorsed or assigned for transfer, if the Board of Directors shall so require and the notice shall so state), such shares shall be redeemed by the Corporation at the redemption price aforesaid. In case fewer than all the shares represented by any such certificate are redeemed, a new certificate shall be issued representing the unredeemed shares without cost to the holder thereof.

(e) If a notice of redemption has been given pursuant to Section 6(b) and any holder of shares of Series A Preferred Stock shall, prior to the close of business on the Business Day preceding the redemption date, give written notice to the Corporation pursuant to Section 7 of the conversion of any or all of the shares to be redeemed held by the holder (accompanied by a certificate or certificates for such shares, duly endorsed or assigned to the Corporation, and any necessary transfer tax payment, as required by Section 7), then such redemption shall not become effective as to such shares to be converted and such conversion shall become effective as provided in Section 7, whereupon any funds deposited by the Corporation for the redemption of such shares shall (subject to any right of the holder of such shares to receive the dividend payable thereon as provided in Section 7) immediately upon such conversion be returned to the Corporation or, if then held in trust by the Corporation, shall automatically and without further corporate action or notice be discharged from the trust.

7. Conversion.

(a) *Right to Convert.*

(i) Subject to the provisions of this Section 7, each holder of shares of Series A Preferred Stock shall have the right, at any time and from time to time, at such holder's option, to convert any or all of such holder's shares of Series A Preferred Stock, in whole or in part, into fully paid and non-assessable shares of Common Stock at the conversion price of $56.525 per share of Common Stock, subject to adjustment as described in Section 7(c) (as adjusted, the "**Conversion Price**"). The number of shares of Common Stock into which a share of the Series A Preferred Stock shall be convertible (calculated as to each conversion to the nearest 1/1,000,000th of a share) shall be determined by dividing $50.00 by the Conversion Price in effect at the time of conversion.

(ii) If shares of Series A Preferred Stock are called for redemption in accordance with Section 5(a), the right to convert shares so called for redemption shall terminate at the close of business on the Business Day immediately preceding the date fixed for redemption unless the Corporation shall default in making payment of the amount payable upon such redemption, in which case the conversion rights for such shares shall continue.

(b) *Mechanics of Conversion*.

(i) To exercise the conversion right, the holder of shares of Series A Preferred Stock to be converted shall surrender the certificate or certificates representing such shares at the office of the Corporation (or any transfer agent of the Corporation previously designated by the Corporation to the holders of Series A Preferred Stock for this purpose) with a written notice of election to convert completed and signed, specifying the number of shares to be converted. Unless the shares issuable upon conversion are to be issued in the same name as the name in which such shares of Series A Preferred Stock are registered, each share surrendered for conversion shall be accompanied by instruments of transfer, in form satisfactory to the Corporation, duly executed by the holder or the holder's duly authorized attorney and an amount sufficient to pay any transfer or similar tax in accordance with Section 7(b)(vii). As promptly as practicable after the surrender by the holder of the certificates for shares of Series A Preferred Stock as aforesaid, the Corporation shall issue and shall deliver to such holder, or on the holder's written order to the holder's transferee, a certificate or certificates for the whole number of shares of Common Stock issuable upon the conversion of such shares and a check payable in an amount corresponding to any fractional interest in a share of Common Stock as provided in Section 7(b)(viii).

(ii) Each conversion shall be deemed to have been effected immediately prior to the close of business on the first Business Day (the "**Conversion Date**") on which the certificates for shares of Series A Preferred Stock shall have been surrendered and such notice received by the Corporation as aforesaid. At such time on the Conversion Date:

(w) the person in whose name or names any certificate or certificates for shares of Common Stock shall be issuable upon such conversion shall be deemed to have become the holder of record of the shares of Common Stock represented thereby at such time;

(x) such shares of Series A Preferred Stock shall no longer be deemed to be outstanding and all rights of a holder with respect to such shares surrendered for conversion shall immediately terminate except the right to receive the Common Stock and other amounts payable pursuant to this Section 7;

(y) in lieu of dividends on such Series A Preferred Stock pursuant to Section 3, such shares of Series A Preferred Stock shall participate equally and ratably with the holders of shares of Common Stock in all dividends paid on the Common Stock; and

(z) the right of the Corporation to redeem such shares of Series A Preferred Stock shall terminate, regardless of whether a notice of redemption has been mailed as aforesaid.

All shares of Common Stock delivered upon conversion of the Series A Preferred Stock will, upon delivery, be duly and validly issued and fully paid and non-assessable, free of all liens and charges and not subject to any preemptive rights.

(iii) Holders of shares of Series A Preferred Stock at the close of business on a Dividend Payment Record Date shall be entitled to receive the dividend payable on such shares on the corresponding Dividend Payment Date notwithstanding the conversion thereof following such Dividend Payment Record Date and prior to such Dividend Payment Date. However, shares of Series A Preferred Stock surrendered for conversion during the period between the close of business on any Dividend Payment Record Date and the opening of business on the corresponding Dividend Payment Date (except shares converted after the issuance of a notice of redemption during such period, which shall be entitled to such dividend on the Dividend Payment Date) must be accompanied by payment of an amount equal to the dividend payable on such shares on such Dividend Payment Date; *provided* that notwithstanding such surrender of shares for conversion after such Dividend Payment Record Date, the holders thereof at the close of business on such Dividend Payment Record Date shall be entitled to receive the dividend payable on such shares on the corresponding Dividend Payment Date. A holder of shares of Series A Preferred Stock on a Dividend Payment Record Date who (or whose transferee) tenders any such shares for conversion into shares of Common Stock on such Dividend Payment Date will receive the dividend payable by the Corporation on such shares of Series A Preferred Stock on such date, and the converting holder need not include payment of the amount of such dividend upon surrender of shares of Series A Preferred Stock for conversion.

(iv) Except as provided in clause (iii) above and in Section 7(c), the Corporation shall make no payment or adjustment for accrued and unpaid dividends on shares of Series A Preferred Stock, whether or not in arrears, on conversion of such shares or for dividends in cash on the shares of Common Stock issued upon such conversion.

(v) The Corporation covenants that it will at all times reserve and keep available, free from preemptive rights, such number of its authorized but unissued shares of Common Stock as shall be required for the purpose of effecting conversions of the Series A Preferred Stock. Prior to the delivery of any securities which the Corporation shall be obligated to deliver upon conversion of the Series A Preferred Stock, the Corporation shall comply with all applicable federal and state laws and regulations which require action to be taken by the Corporation.

(vi) The Corporation will pay any and all documentary stamp or similar issue or transfer taxes payable in respect of the issuance or delivery of shares of Common Stock on conversion of the Series A Preferred Stock pursuant hereto; *provided* that the Corporation shall not be required to pay any tax which may be payable in respect of any transfer involved in the issuance or delivery of shares of Common Stock in a name other than that of the holder of the Series A Preferred Stock to be converted, and no such issuance or delivery shall be made unless and until the person requesting such issuance or delivery has paid to the Corporation the amount of any such tax or has established, to the satisfaction of the Corporation, that such tax has been paid.

(vii) In connection with the conversion of any shares of Series A Preferred Stock, no fractions of shares of Common Stock shall be issued, but in lieu thereof the Corporation shall pay a cash adjustment in respect of such fractional interest in an amount equal to such fractional interest multiplied by the Daily Price (as defined below) per share of Common Stock on the Conversion Date. In the absence of a Daily Price, the Board of Directors shall in good faith determine the current market price on such basis as it considers appropriate, and such current market price shall be used to calculate the cash adjustment. As used herein, "**Daily Price**" means (w) if the shares of such class of Common Stock are then listed and traded on the New York Stock Exchange, Inc. ("**NYSE**"), the closing price on such day as reported on the NYSE Composite Transactions Tape; (x) if the shares of such class of Common Stock are not then listed and traded on the NYSE, the closing price on such day as reported by the principal national securities exchange on which the shares are listed and traded; (y) if the shares of such class of Common Stock are not then listed and traded on any such securities exchange, the last reported sale price on such day on the National Market of the National Association of Securities Dealers, Inc. Automated Quotation System ("**NASDAQ**"); or (z) if the shares of such class of Common Stock are not then traded on the NASDAQ National Market, the average of the highest reported bid and lowest reported asked price on such day, as reported by NASDAQ.

(c) *Adjustments to Conversion Price.* The Conversion Price shall be adjusted from time to time as follows:

(i) If, at any time after the date of issuance of the Series A Preferred Stock, the Corporation shall (A) pay a dividend or make a distribution on any class of its capital stock in shares of its Common Stock, (B) subdivide its outstanding shares of Common Stock into a greater number of shares or (C) combine its outstanding shares of Common Stock into a smaller number of shares, the Conversion Price in effect immediately prior thereto shall be adjusted as provided below so that the Conversion Price thereafter shall be determined by multiplying the Conversion Price at which the shares of Series A Preferred Stock were theretofore convertible by a fraction, the numerator of which shall be the number of shares of Common Stock outstanding immediately prior to such action, and the denominator of which shall be the number of shares of Common Stock outstanding immediately following such action. Such adjustment shall be made whenever any event listed above shall occur and shall become effective retroactively immediately after the record date in the case of a dividend and immediately after the effective date in the case of a subdivision or combination.

(ii) If, at any time after the date of issuance of the Series A Preferred Stock, the Corporation shall issue rights or warrants to all holders of its Common Stock entitling them (for a period expiring within 45 days after the record date for determining stockholders entitled to receive such rights or warrants) to subscribe for or purchase shares of Common Stock at a price per share less than the current market price per share of Common Stock at the record date therefor (as determined in accordance with the provisions of Section 7(c)(iv)), the "**Current Market Price**"), or in case the Corporation shall issue to all holders of its Common Stock other securities convertible into or exchangeable for Common Stock for a consideration per share of Common Stock deliverable upon conversion or exchange thereof less than the Current Market Price, then the Conversion Price in effect immediately prior thereto shall be adjusted as provided below so that the Conversion Price therefor shall be equal to the price determined by multiplying (A) the Conversion Price at which shares of Series A Preferred Stock were theretofore convertible by (B) a fraction of which the numerator shall be the sum of (1) the number of shares of Common Stock outstanding on the date of issuance of the convertible or exchangeable securities, rights or warrants and (2) the number of additional shares of Common Stock that the aggregate offering price for the number of shares of Common Stock so offered would purchase at the Current Market Price per share of Common Stock, and of which the denominator shall be the sum of (1) the number of shares of Common Stock outstanding on the date of issuance of such convertible or exchangeable securities, rights or warrants and (2) the number of additional shares of Common Stock offered for subscription or purchase, or issuable upon such conversion or exchange. Such adjustment shall be made whenever such convertible or exchangeable securities, rights or warrants are issued, and shall become effective immediately after the record date for the determination of stockholders entitled to

receive such securities. However, upon the expiration of any right or warrant to purchase Common Stock, the issuance of which resulted in an adjustment in the Conversion Price pursuant to this Section 7(c)(ii), if any such right or warrant shall expire and shall not have been exercised, the Conversion Price shall be recomputed immediately upon such expiration and effective immediately upon such expiration shall be increased to the price it would have been (but reflecting any other adjustments to the Conversion Price made pursuant to the provisions of this Section 7(c) after the issuance of such rights or warrants) had the adjustment of the Conversion Price made upon the issuance of such rights or warrants been made on the basis of offering for subscription or purchase only that number of shares of Common Stock actually purchased upon the exercise of such rights or warrants. No further adjustment shall be made upon exercise of any right, warrant, convertible security or exchangeable security if any adjustment shall have been made upon issuance of such security.

(iii) If, at any time after the date of issuance of the Series A Preferred Stock, the Corporation shall distribute to all holders of its Common Stock (including any dividend paid in connection with a consolidation or merger in which the Corporation is the continuing corporation) any shares of capital stock of the Corporation or its subsidiaries (other than Common Stock) or evidences of its indebtedness, cash or other assets (excluding dividends payable solely in cash that may from time to time be fixed by the Board of Directors, or dividends or distributions in connection with the liquidation, dissolution or winding up of the Corporation) or rights or warrants to subscribe for or purchase any of its securities or those of its subsidiaries or securities convertible or exchangeable for Common Stock (excluding those securities referred to in Section 7(c)(ii)), then in each such case the Conversion Price in effect immediately prior thereto shall be adjusted as provided below so that the Conversion Price thereafter shall be equal to the price determined by multiplying (A) the Conversion Price in effect on the record date mentioned below by (B) a fraction, the numerator of which shall be the Current Market Price per share of Common Stock on the record date mentioned below less the then fair market value (as determined by the Board of Directors, whose good faith determination shall be conclusive) as of such record date of the assets, evidences of indebtedness or securities so paid with respect to one share of Common Stock, and the denominator of which shall be the Current Market Price per share of Common Stock on such record date; *provided*, *however*, that in the event the then fair market value (as so determined) so paid with respect to one share of Common Stock is equal to or greater than the Current Market Price per share of Common Stock on the record date mentioned above, in lieu of the foregoing adjustment, adequate provision shall be made so that each holder of shares of Series A Preferred Stock shall have the right to receive the amount and kind of assets, evidences of indebtedness, or securities such holder would have received had such holder converted each such share of Series A Preferred Stock immediately prior to the record date for such dividend. Such adjustment shall be made whenever any such payment is made, and shall become

effective retroactively immediately after the record date for the determination of stockholders entitled to receive the payment.

(iv) For the purpose of any computation under Sections 7(c)(ii) or 7(c)(iii), the Current Market Price per share of Common Stock at any date shall be deemed to be the average Daily Price for the 30 consecutive trading days commencing 35 trading days before the day in question.

(v) No adjustment in the Conversion Price shall be required unless the adjustment would require an increase or decrease of at least 1% in the Conversion Price then in effect; *provided*, *however*, that any adjustments that by reason of this Section 7(c)(v) are not required to be made shall be carried forward and taken into account in any subsequent adjustment. All calculations under this Section 7(c) shall be made to the nearest cent.

(vi) In the event that, at any time as a result of an adjustment made pursuant to Section 7(c)(i) or 7(c)(iii), the holder of any shares of Series A Preferred Stock thereafter surrendered for conversion shall become entitled to receive any shares of the Corporation or its subsidiaries, other than shares of the Common Stock, thereafter the number of such other shares so receivable upon conversion of any share of Series A Preferred Stock shall be subject to adjustment from time to time in a manner and on terms as nearly equivalent as practicable to the provisions with respect to the Common Stock contained in Sections 7(c)(i) through 7(c)(v), and the other provisions of this Section 7 with respect to the Common Stock shall apply on like terms to any such other shares.

(vii) Whenever the Conversion Price is adjusted, as herein provided, the Corporation shall promptly file with the transfer agent for the Series A Preferred Stock a certificate of an officer of the Corporation setting forth the Conversion Price after the adjustment and setting forth a brief statement of the facts requiring such adjustment and a computation thereof. The certificate shall be *prima facie* evidence of the correctness of the adjustment. The Corporation shall promptly cause a notice of the adjusted Conversion Price to be mailed to each registered holder of shares of Series A Preferred Stock.

(viii) In case of any reclassification of the Common Stock, any consolidation of the Corporation with, or merger of the Corporation into, any other entity, any merger of another entity into the Corporation (other than a merger that does not result in any reclassification, conversion, exchange or cancellation of outstanding shares of Common Stock of the Corporation), any sale or transfer of all or substantially all of the assets of the Corporation or any compulsory share exchange pursuant to which share exchange the Common Stock is converted into other securities, cash or other property, then lawful provision shall be made as part of the terms of such transaction whereby the holder of each share of Series A Preferred Stock then outstanding shall have the right thereafter, during the period such share

shall be convertible, to convert such share only into the kind and amount of securities, cash and other property receivable upon the reclassification, consolidation, merger, sale, transfer or share exchange by a holder of the number of shares of Common Stock of the Corporation into which a share of Series A Preferred Stock would have been convertible immediately prior to the reclassification, consolidation, merger, sale, transfer or share exchange. The Corporation, the person formed by the consolidation or resulting from the merger or which acquires such assets or which acquires the Corporation's shares, as the case may be, shall make provisions in its certificate or articles of incorporation or other constituent documents to establish such rights and to ensure that the dividend, voting and other rights of the holders of Series A Preferred Stock established herein are unchanged, except as permitted by Section 9 and applicable law. The certificate or articles of incorporation or other constituent documents shall provide for adjustments, which, for events subsequent to the effective date of the certificate or articles of incorporation or other constituent documents, shall be as nearly equivalent as may be practicable to the adjustments provided for in this Section 7. The provisions of this Section 7(c)(viii) shall similarly apply to successive reclassifications, consolidations, mergers, sales, transfers or share exchanges.

(d) *Optional Reduction in Conversion Price*. The Corporation may at its option reduce the Conversion Price from time to time by any amount for any period of time if the period is at least 20 days and if the reduction is irrevocable during the period. Whenever the Conversion Price is so reduced, the Corporation shall mail to holders of record of the Series A Preferred Stock a notice of the reduction at least 15 days before the date the reduced Conversion Price takes effect, stating the reduced Conversion Price and the period it will be in effect. A voluntary reduction of the Conversion Price does not change or adjust the Conversion Price otherwise in effect for purposes of Section 7(c).

8. Status of Shares. All shares of Series A Preferred Stock that are at any time redeemed pursuant to Section 5 or converted pursuant to Section 7 and all shares of Series A Preferred Stock that are otherwise reacquired by the Corporation shall (upon compliance with any applicable provisions of the laws of the State of Delaware) have the status of authorized but unissued shares of Preferred Stock, without designation as to series, subject to reissuance by the Board of Directors as shares of any one or more other series.

9. Voting Rights.

(a) The holders of record of shares of Series A Preferred Stock shall not be entitled to any voting rights except as hereinafter provided in this Section 9 or as otherwise provided by law.

(b) The holders of the shares of Series A Preferred Stock (i) shall be entitled to vote with the holders of the Common Stock on all matters submitted for a vote of holders of Common Stock (voting together with the holders of Common Stock as one class), (ii) shall be entitled to a number of votes equal to the number of votes to which shares of Common

Stock issuable upon conversion of such shares of Series A Preferred Stock would have been entitled if such shares of Common Stock had been outstanding at the time of the applicable vote and related record date and (iii) shall be entitled to notice of any stockholders' meeting in accordance with the Certificate of Incorporation and Bylaws of the Corporation.

(c) If and whenever six quarterly dividends (whether or not consecutive) payable on the Series A Preferred Stock have not been paid in full or if the Corporation shall have failed to discharge its Mandatory Redemption Obligation on or after the Redemption Date, the number of directors then constituting the Board of Directors shall be increased by two and the holders of shares of Series A Preferred Stock, together with the holders of shares of every other series of preferred stock upon which like rights to vote for the election of two additional directors have been conferred and are exercisable (resulting from either the failure to pay dividends or the failure to redeem) (any such other series is referred to as the " **Preferred Shares**"), voting as a single class regardless of series, shall be entitled to elect the two additional directors to serve on the Board of Directors at any annual meeting of stockholders or special meeting held in place thereof, or at a special meeting of the holders of the Series A Preferred Stock and the Preferred Shares called as hereinafter provided. Whenever all arrears in dividends on the Series A Preferred Stock and the Preferred Shares then outstanding shall have been paid and dividends thereon for the current quarterly dividend period shall have been paid or declared and set apart for payment, or the Corporation shall have fulfilled its Mandatory Redemption Obligation, as the case may be, then the right of the holders of the Series A Preferred Stock and the Preferred Shares to elect such additional two directors shall cease (but subject always to the same provisions for the vesting of such voting rights in the case of any similar future arrearages in six quarterly dividends or failure to fulfill any Mandatory Redemption Obligation), and the terms of office of all persons elected as directors by the holders of the Series A Preferred Stock and the Preferred Shares shall forthwith terminate and the number of the Board of Directors shall be reduced accordingly. At any time after such voting power shall have been so vested in the holders of shares of Series A Preferred Stock and the Preferred Shares, the secretary of the Corporation may, and upon the written request of any holder of Series A Preferred Stock (addressed to the secretary at the principal office of the Corporation) shall, call a special meeting of the holders of the Series A Preferred Stock and of the Preferred Shares for the election of the two directors to be elected by them as herein provided, such call to be made by notice similar to that provided in the Bylaws of the Corporation for a special meeting of the stockholders or as required by law. If any such special meeting required to be called as above provided shall not be called by the secretary within 20 days after receipt of any such request, then any holder of shares of Series A Preferred Stock may call such meeting, upon the notice above provided, and for that purpose shall have access to the stock records of the Corporation. The directors elected at any such special meeting shall hold office until the next annual meeting of the stockholders or special meeting held in lieu thereof if such office shall not have previously terminated as above provided. If any vacancy shall occur among the directors elected by the holders of the Series A Preferred Stock and the Preferred Shares, a successor shall be elected by the Board of Directors, upon the nomination of the then-remaining director elected by the holders of the Series A Preferred Stock and the Preferred Shares or the successor of such remaining director, to serve until the next annual meeting of

the stockholders or special meeting held in place thereof if such office shall not have previously terminated as provided above.

(d) So long as any shares of Series A Preferred Stock are outstanding:

(i) the Corporation shall not, without the written consent or affirmative vote at a meeting called for that purpose by holders of at least 66-2/3% of the outstanding shares of Series A Preferred Stock, voting as a single class, amend, alter or repeal any provision of the Corporation's Certificate of Incorporation (by merger or otherwise) so as to materially and adversely affect the preferences, rights or powers of the Series A Preferred Stock; *provided* that any such amendment, alteration or repeal to create, authorize or issue any Junior Securities or Parity

Securities, or any security convertible into, or exchangeable or exercisable for, shares of Junior Securities or Parity Securities, shall not be deemed to have any such material adverse effect;

(ii) the Corporation shall not, without the written consent or affirmative vote at a meeting called for that purpose of at least 66-2/3% of the votes entitled to be cast by the holders of shares of Series A Preferred Stock and of all other series of Preferred Stock upon which like rights to vote upon the matters specified herein have been conferred and are exercisable, voting as a single class regardless of series, create, authorize or issue any Senior Securities, or any security convertible into, or exchangeable or exercisable for, shares of Senior Securities; and

(iii) the Corporation shall not, without the written consent or affirmative vote at a meeting called for that purpose of at least a majority of the votes entitled to be cast by the holders of shares of Series A Preferred Stock and of all other series of Preferred Stock upon which like rights to vote upon the matters specified herein have been conferred and are exercisable, voting as a single class regardless of series, create, authorize or issue any new class of Parity Securities; *provided* that this clause (iii) shall not limit the right of the Corporation to issue Parity Securities in connection with any merger in which the Corporation is the surviving entity;

provided that no such consent or vote of the holders of Series A Preferred Stock shall be required if at or prior to the time when such amendment, alteration or repeal is to take effect, or when the issuance of any such securities is to be made, as the case may be, all shares of Series A Preferred Stock at the time outstanding shall have been called for redemption by the Corporation and the funds necessary for such redemption shall have been set aside in accordance with Sections 5 and 6.

(e) The consent or votes required in Sections 9(c) and 9(d) shall be in addition to any approval of stockholders of the Corporation which may be required by law or pursuant to any provision of the Corporation's Certificate of Incorporation or Bylaws, which approval shall be obtained by vote of the stockholders of the Corporation in the manner provided in Section 9(b).

10. No Other Rights.

(a) The shares of Series A Preferred Stock shall not have any relative, participating, optional or other special rights and powers except as set forth herein or as may be required by law.

FIFTH: The Corporation is to have perpetual existence.

SIXTH: The private property of the stockholders shall not be subject to the payment of the corporate debts to any extent whatever except as otherwise provided by law.

SEVENTH: In furtherance, and not in limitation of the powers conferred by statute, the Board of Directors is expressly authorized:

A. To adopt, amend or repeal the by-laws of the Corporation;

B. To authorize and cause to be executed mortgages and liens, with or without limit as to amount, upon the real and personal property of the Corporation;

C. To authorize the guaranty by the Corporation of securities, evidences of indebtedness and obligations of other persons, corporations and business entities; and

D. By resolution adopted by a majority of the whole board, to designate one or more committees, each committee to consist of two or more of the directors of the Corporation, which, to the extent provided in the resolution, shall have and may exercise the powers of the Board of Directors in the management of the business and affairs of the Corporation and may authorize the seal of the Corporation to be affixed to all papers which may require it. Such committee or committees shall have such name or names as may be determined from time to time by resolution adopted by the Board of Directors. The Board of Directors may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. The members of any such committee present at any meeting and not disqualified from voting may, whether or not they constitute a quorum, unanimously appoint another member of the Board of Directors to act at the meeting in the place of any absent or disqualified member.

All corporate powers of the Corporation shall be exercised by the Board of Directors except as otherwise provided herein or by law.

EIGHTH: Any property of the Corporation constituting less than all of its assets including goodwill and its corporate franchise, deemed by the Board of Directors to be not essential to the conduct of the business of the Corporation, may be sold, leased, exchanged or otherwise disposed of by authority of the Board of Directors. All of the property and assets of the Corporation including its goodwill and its corporate franchises, may be sold, leased or exchanged upon such terms and conditions and for such consideration (which may be in whole or in part shares of stock and/or other securities of any other corporation or corporations) as the Board of Directors shall deem expedient and for the best interests of the Corporation, when and as authorized by the affirmative vote of the holders of a majority of the voting power of the then outstanding Voting Stock given at a stockholders' meeting duly called for that purpose upon at least 20 days notice containing notice of the proposed sale, lease or exchange.

NINTH: A director or officer of the Corporation shall not be disqualified by his office from dealing or contracting with the Corporation either as a vendor, purchaser or otherwise, nor shall any transaction or contract of the Corporation be void or voidable by reason of the fact that any director or officer or any firm of which any director or officer is a member or any corporation of which any director or officer is a stockholder, officer or director, is in any way interested in such transaction or contract, provided that such transaction or contract is or shall be authorized, ratified or approved either (1) by a vote of a majority of a quorum of the Board of Directors or of a committee thereof, without counting in such majority any director so interested (although any director so interested may be included in such quorum), or (2) by a majority of a quorum of the stockholders entitled to vote at any meeting. No director or officer shall be liable to account to the Corporation for any profits realized from any such transaction or contract authorized, ratified or approved as aforesaid by reason of the fact that he, or any firm of which he is a member or any corporation of which he is a stockholder, officer or director, was interested in such transaction or contract. Nothing herein contained shall create liability in the events above described or prevent the authorization, ratification or approval of such contracts in any other manner permitted by law.

TENTH: Any contract, transaction or act of the Corporation or of the Board of Directors which shall be approved or ratified by a majority of a quorum of the stockholders entitled to vote at any meeting shall be as valid and binding as though approved or ratified by every stockholder of the Corporation; but any failure of the stockholders to approve or ratify such contract, transaction or act, when and if submitted, shall not be deemed in any way to invalidate the same or to deprive the Corporation, its directors or officers of their right to proceed with such contract, transaction or act.

ELEVENTH: Each person who is or was or has agreed to become a director or officer of the Corporation, and each such person who is or was serving or who has agreed to serve at the request of the Board of Directors or an officer of the Corporation as an employee or agent of the Corporation or as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans (including the heirs, executors, administrators or estate of

such person), shall be indemnified by the Corporation, in accordance with the by-laws of the Corporation, to the fullest extent permitted from time to time by the General Corporation Law of the State of Delaware as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than said law permitted prior to such amendment) or any other applicable laws as presently or hereafter in effect. Without limiting the generality or the effect of the foregoing, the Corporation may enter into one or more agreements with any person which provide for indemnification greater than or different from that provided in this ARTICLE ELEVENTH. Any amendment or repeal of this ARTICLE ELEVENTH shall not adversely affect any right or protection existing hereunder in respect of any act or omission occurring prior to such amendment or repeal.

TWELFTH: A director of the Corporation shall not be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (1) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (2) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (3) under Section 174 of the General Corporation Law of the State of Delaware, or (4) for any transaction from which the director derived an improper personal benefit. Any amendment or repeal of this ARTICLE TWELFTH shall not adversely affect any right or protection of a director of the Corporation existing hereunder in respect of any act or omission occurring prior to such amendment or repeal.

THIRTEENTH: Whenever a compromise or arrangement is proposed between this corporation and its creditors or any class of them and/or between this corporation and its stockholders or any class of them, any court of equitable jurisdiction within the State of Delaware may, on the application in a summary way of this corporation or of any creditor or stockholder thereof or on the application of any receiver or receivers appointed for this corporation under Section 291 of Title 8 of the Delaware Code or on the application of trustees in dissolution or of any receiver or receivers appointed for this corporation under Section 279 of Title 8 of the Delaware Code, order a meeting of the creditors or class of creditors, and/or of the stockholders or class of stockholders of this corporation, as the case may be, to be summoned in such manner as the said court directs. If a majority in number representing three-fourths in value of the creditors or class of creditors, and/or of the stockholders or class of stockholders of this corporation, as the case may be, agree to any compromise or arrangement and to any reorganization of this corporation as consequence of such compromise or arrangement, the said compromise or arrangement and the said reorganization shall, if sanctioned by the court to which the said application has been made, be binding on all the creditors or class of creditors, and/or on all the stockholders or class of stockholders, of this corporation, as the case may be, and also on this corporation.

FOURTEENTH: Meetings of stockholders and directors may be held within or without the State of Delaware, as the by-laws may provide. The books of account of the Corporation may be kept (subject to any provision contained in the statutes) outside the State of Delaware at such place or places as may be designated from time to time by the Board of

Directors or in the by-laws of the Corporation. Elections of directors need not be by written ballot unless the by-laws of the Corporation shall so provide.

FIFTEENTH: Subject to the rights of the holders of any series of Preferred Stock or any other series or class of stock as set forth in this Amended and Restated Certificate of Incorporation to elect additional directors under specific circumstances, whenever the vote of stockholders at a meeting thereof is required or permitted to be taken for or in connection with any corporate action, the meeting and vote of stockholders may be dispensed with if a written consent to such corporate action is signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted; provided that prompt notice must be given to all stockholders of the taking of corporate action without a meeting and by less than unanimous written consent.

SIXTEENTH: Each director, other than those who may be elected by the holders of any series of Preferred Stock or any other series or class of stock as set forth in this Amended and Restated Certificate of Incorporation, shall hold office until a successor is elected at the next succeeding annual meeting of stockholders and qualified or until such director's earlier resignation or removal. Regardless of the foregoing sentence, in the case of directors designated as Class I directors elected at the annual meeting of stockholders held in 1999, such directors shall hold office until a successor is elected at the annual meeting of stockholders held in 2002 and qualified or until such director's earlier resignation or removal, and in the case of directors designated as Class III directors prior to the annual meeting of stockholders held in 1999, such directors shall hold office until a successor is elected at the annual meeting of stockholders held in 2001 and qualified or until such director's earlier resignation or removal.

SEVENTEENTH: The Corporation reserves the right to amend, alter, change or repeal any provision contained in this certificate of incorporation, in the manner now or hereafter prescribed by statute, and all rights conferred upon stockholders herein are granted subject to this reservation.

Exhibit 3.2

CERTIFICATE OF RETIREMENT

OF

CERTAIN PREFERRED STOCK

OF

SEALED AIR CORPORATION

(Pursuant to Section 243 of the General Corporation Law of the State of Delaware)

SEALED AIR CORPORATION, a corporation organized and existing under the General Corporation Law of the State of Delaware (the "Corporation"),

DOES HEREBY CERTIFY THAT:

FIRST: At a meeting of the Board of Directors of the Corporation a resolution was duly adopted which resolved that all shares of Series A Convertible Preferred Stock of the Corporation that are issued but not outstanding as of the close of business on December 13, 2002 shall be and are retired as shares of such Series A Convertible Preferred Stock.

SECOND: Pursuant to such resolution, the Corporation has retired 817,985 shares of its Series A Convertible Preferred Stock.

THIRD: The Certificate of Incorporation of the Corporation prohibits the reissuance of the above shares of Preferred Stock as shares of that Series A Convertible Preferred Stock, and provides that such shares shall have the status of authorized but unissued shares of Preferred Stock, without designation as to series, subject to reissuance by the Board of Directors of the Corporation as shares of any one or more other series.

IN WITNESS WHEREOF, the Corporation has caused this certificate to be signed by William V. Hickey, its authorized President and Chief Executive Officer, and attested to by H. Katherine White, its Secretary, this 31st day of January, 2003.

SEALED AIR CORPORATION

[Seal]

By: /s/ William V. Hickey
William V. Hickey
President and
Chief Executive Officer

ATTEST:

/s/ H. Katherine White
H. Katherine White
Secretary

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Exhibit 10.14

WAIVER TO
GLOBAL REVOLVING CREDIT AGREEMENT (5-YEAR)

Waiver to Global Revolving Credit Agreement (5-Year) (the *"Waiver"*) dated as of January 22, 2003 among Sealed Air Corporation (the *"Company"*), the Subsidiary Borrowers party hereto, the Subsidiary Guarantors party hereto, the Banks party hereto, and ABN AMRO Bank N.V., as Administrative Agent;

W I T N E S S E T H:

Whereas, the Company and the Subsidiary Borrowers, the Guarantors, the Banks and ABN AMRO Bank N.V., as Administrative Agent, have heretofore executed and delivered a Global Revolving Credit Agreement (5-Year) dated as of March 30, 1998 (as amended, the *"Credit Agreement"*);

Whereas, the Company has informed the Banks that due to a settlement of various asbestos related claims against the Company it expects to recognize a non-cash charge during the fiscal quarter ended December 31, 2002 of approximately $850,000,000; and

Whereas, as a result of such non-cash charge, the Company expects that it will fail to meet the Interest Coverage Ratio and Leverage Ratio set forth in Sections 8.01 and 8.02, respectively, of the Credit Agreement;

Now, therefore, for good and valuable consideration the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1. For purposes of calculating EBITDA for the Test Period ending December 31, 2002 consolidated net income of the Company and its Subsidiaries for such period shall be adjusted by adding thereto any non-cash charges incurred by the Company in connection with the settlement of asbestos related claims against the Company to the extent such amounts do not exceed $850,000,000.

2. This Waiver shall become effective on the date the Administrative Agent shall have received (i) counterparts hereof executed by the Borrowers, the Guarantors and the Required Banks (or, in the case of any party as to which an executed counterpart hereof shall not have been received, receipt by the Administrative Agent in form satisfactory to it of facsimile or other written confirmation from such party of execution of a counterpart hereof by such party) and (ii) from the Company, for the account of each Bank (a *"Consenting Bank"*) that has evidenced its agreement hereto as provided in clause (i) above by 5:00 p.m. (New York time) on January 22, 2003, a waiver fee equal to 2.5 basis points (0.025%) on the aggregate of such Consenting Bank's Commitment.

3.1. To induce the Administrative Agent and the Banks to executed this Waiver, each Borrower and Guarantor represents and warrants to the Administrative Agent and the Banks that: (a) the representations and warranties contained in the Credit Documents, after giving effect to this Waiver (other than Section 6.05 of the Credit Agreement), are true and correct in all material respects as of the date hereof with the same effect as though made on the date hereof (it being understood and agreed that any representation or warranty which by its terms is made as of a specified date shall be required to be true and correct in all material respects only as of such specified date); (b) after giving effect to this Waiver, no Default exists; (c) this Waiver has been duly authorized by all necessary corporate proceedings and duly executed and delivered by each Borrower and each Guarantor, and the Credit Agreement, and each of the other Credit Documents are the legal, valid and binding obligations of the applicable Borrower or Guarantor, enforceable against such Borrower or Guarantor in accordance with their respective terms, except as enforceability may be limited by bankruptcy, insolvency or other similar laws of general application affecting the enforcement of creditors' rights or by general principles of equity; and (d) no consent, approval, authorization, order, registration or qualification with any governmental authority is required for, and in the absence of which would adversely effect, the performance by any Borrower or any Guarantor of the Credit Agreement, or any other Credit Document to which they are party.

3.2. This Waiver may be executed in any number of counterparts and by the different parties on separate counterparts and each such counterpart shall be deemed to be an original, but all such counterparts shall together constitute but one and the same Waiver.

3.3. Except as specifically provided above, the Credit Agreement and the other Credit Documents shall remain in full force and effect and are hereby ratified and confirmed in all respects. The execution, delivery, and effectiveness of this Waiver shall not, except as expressly provided herein, operate as a waiver of any right, power, or remedy of the Agent or any Bank under the Credit Agreement or any of the other Credit Documents, nor constitute a waiver or modification of any provision of any of the other Credit Documents.

3.4. All defined terms used herein and not defined herein have the same meanings herein as in the Credit Agreement.

3.5. This Waiver and the rights and obligations of the parties hereunder shall be construed in accordance with and be governed by the law of the State of New York.

In Witness Whereof, the parties hereto have caused this Waiver to be executed by their respective officers thereunto duly authorized as of the day and year first above written.

SEALED AIR CORPORATION, as Borrower and Guarantor

By: /s/ WILLIAM V. HICKEY

Title: President & Chief Executive Officer

SEALED AIR CORPORATION (US), as Borrower and Guarantor

By: /s/ TOD S. CHRISTIE

Title: Vice President

CRYOVAC, INC., as Borrower and Guarantor

By: /s/ TOD S. CHRISTIE

Title: Vice President

ABN AMRO BANK N.V., individually and as Administrative Agent

By: /s/ CRAIG TRAUTWEIN

Craig Trautwein
Title: Vice President

By: /s/ TODD J. MILLER

Todd J. Miller
Title: Assistant Vice President

BANK OF AMERICA, NA

By: /s/ WENDY J. GORMAN

Wendy J. Gorman
Title Principal

CITIBANK, N.A.

By: /s/ HUGO ARIAS

Title

Hugo Arias
Vice President
388 Greenwich St./23rd FL
New York, NY 10013
Tel: 212-816-5390

COMMERZBANK AG, NEW YORK BRANCH

By: /s/ ROBERT S. TAYLOR, JR.

Robert S. Taylor, Jr.
Title: Senior Vice President

By: /s/ ANDREW P. LUSK

Andrew P. Lusk
Title: Assistant Vice President

CREDIT LYONNAIS New York Branch

By: /s/ SCOTT R. CHAPPELKA

Scott R. Chappelka
Vice President

FLEET NATIONAL BANK

By: /s/ MARWAN ISBAIH

Marwan Isbaih
Title: Director

ALLIED IRISH BANK

By: /s/ MICHAEL DOYLE

Michael Doyle
Title: Senior Vice President

TORONTO DOMINION (TEXAS) INC.

By: /s/ CAROL BRANDT

Carol Brandt
Title: Vice President

BANCA DI ROMA

By: /s/ CHRISTOPHER STRIKE

Christopher Strike
Title: Vice President

By: /s/ STEVEN PALEY

Steven Paley
Title: First Vice President

THE BANK OF NEW YORK

By: /s/ ERNEST FUNG

Ernest Fung
Title: Vice President

13

THE BANK OF NOVA SCOTIA

By: /s/ MANA GING

Mana Ging
Title: Director

14

BANCA NAZIONALE DEL LAVORO S.P.A.—NEW YORK BRANCH

By: /s/ FREDERIC W. HALL

Frederic W. Hall
Title: Vice President

By: /s/ LEONARDO VALENTINI

Title

15

CREDIT INDUSTRIEL ET COMMERCIAL

By: /s/ ERIC LONGUET

Eric Longuet
Title: Vice President

By: /s/ ERIC DULOT

Eric Dulot
Title: Vice President

16

BANK ONE N.A.

By: /s/ JOSEPH PINZONE

Joseph Pinzone
Title: Director

17

HSBC BANK USA

By: /s/ DIANE M. ZIESKE

Diane M. Zieske
Title: First Vice President

18

WACHOVIA BANK N.A.

By: /s/ DAVID DRIGGERS

Title: Managing Director

19

THE NORTHERN TRUST COMPANY

By: /s/ KAREN E. DAHL

Karen E. Dahl
Title: Vice President

SAN PAOLO IMI SPA

By: /s/ CARLO PERSICO

Carlo Persico
Title: CEO of the Americas

By: /s/ ETTORE VIAZZO

Ettore Viazzo
Title: Vice President

THE BANK OF TOKYO-MITSUBISHI, LTD.,
NEW YORK BRANCH

By: /s/ JEFFREY K. STANTON

Title: Authorized Signatory

BNP PARIBAS

By: /s/ ARNAUD COLLIN DU BOCAGE

Arnaud Collin du Bocage
Title: Managing Director

By: /s/ RICHARD PACE

Richard Pace
Title: Director

BANCA INTESA, NEW YORK BRANCH
as successor to
INTESABCI, NEW YORK BRANCH

By: /s/ J. DICKERHOF

J. Dickerhof
Title: VP

By: /s/ F. MAFFEI

F. Maffei
Title: VP

KBC BANK N.V.

By:

Title

By:

Title

UFJ BANK LTD

By: /s/ RUSSELL BOHNER

Title: Vice President

BANCA MONTE DEI PASCHI BELGLO S.A.

By: /s/

Title

By: /s/

Title

NORDDEUTSCHE LANDESBANK GIROZENTRALE

By: /s/ STEPHANIE FINNEN

Stephanie Finnen
Title: Vice President

By: /s/ JOSEF HAAS

Josef Haas
Title: Vice President

SUNTRUST BANK, ATLANTA

By: /s/ FRANK A. COE

Title: V.P.

CREDIT AGRICOLE INDOSUEZ

By: /s/

Title

By: /s/

Title

BANCA POPOLARE DI MILANO

By: /s/ GIORGIO CUCCOLO

Giorgio Cuccolo
EVP & General Manager

By: /s/ ROBERT DESANTES

Robert DeSantes
VP & Head of Corporate Banking

GE CAPITAL CFE, INC.

By: /s/ W. JEROME MCDERMOTT

W. Jerome McDermott
Title: Duly Authorized Signatory

UNI CREDITO ITALIANO S.P.A.

By: /s/ CHRISTOPHER ELDIN

Christopher Eldin
Title: FVP & Deputy Manager

By: /s/ CHARLES MICHAEL

Charles Michael
Title: Vice President

BANK AUSTRIA AKTIENGESELLSCHAFT

By: /s/ LAURA A. DEPERSIS

Laura A. DePersis
Title: Vice President

By: /s/ DIANE B. VACCARO

Diane B. Vaccaro
Title: Vice President

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WAIVER TO GLOBAL REVOLVING CREDIT AGREEMENT (5-YEAR)

Exhibit 10.22

UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

IN RE: W.R. GRACE & CO., et al., Debtors.	:	Chapter 11 Case Nos. 01-1139 through 01-1200
OFFICIAL COMMITTEE OF ASBESTOS PERSONAL INJURY CLAIMANTS and OFFICIAL COMMITTEE OF ASBESTOS PROPERTY DAMAGE CLAIMANTS OF W.R. GRACE & CO., suing in behalf of the Chapter 11 Bankruptcy Estate of W.R. Grace & Co., et al., Plaintiffs, v. SEALED AIR CORPORATION AND CRYOVAC, INC., Defendants.	:	Adv. No. 02-2210 **[LEAD DOCKET]**
OFFICIAL COMMITTEE OF ASBESTOS PERSONAL INJURY CLAIMANTS and OFFICIAL COMMITTEE OF ASBESTOS PROPERTY DAMAGE CLAIMANTS OF W.R. GRACE & CO., suing in behalf of The Chapter 11 Bankruptcy Estate of W.R. GRACE & CO., et al., Plaintiffs, v. FRESENIUS MEDICAL CARE HOLDINGS, INC. and NATIONAL MEDICAL CARE, INC., Defendants.	:	Adv. No. 02-2211

This 27th day of November 2002, counsel for defendant Sealed Air Corporation and Cryovac, Inc., Fresenius Medical Holdings, Inc., and National Medical Care, Inc., and counsel for the plaintiffs the Official Committee of Asbestos Personal Injury Claimants and the Official Committee of Asbestos Property Damage Claimants in the above captioned chapter 11 case, appeared before the Court and affirmed that the parties had reached an amicable resolution of the disputes that are the subject of the above-captioned adversary proceedings and that they had agreed and bound their parties to the terms reflected in the term sheets attached hereto. This settlement and this acknowledgement by the Court is without prejudice to any objection that may be raised to a motion for approval of the settlement by this Court pursuant to the United States Bankruptcy Code and the Federal Rules of Bankruptcy Procedure.

/s/ Alfred M. Wolin
Alfred M. Wolin, U.S.D.J.

Signed and agreed to by:

/s/ Sheila L. Birnbaum Sheila L. Birnbaum
For Sealed Air Corporation and Cryovac, Inc.

/s/ David Rosenbloom David Rosenbloom
For Fresenius Medical Holdings, Inc. and National Medical Care, Inc.

/s/ Peter Van N. Lockwood Peter Van N. Lockwood
For the Official Committee of Asbestos Personal Injury Claimants

/s/ Scott L. Baena Scott L. Baena
For the Official Committee of Asbestos Property Damage Claimants

TERM SHEET

(Fresenius Term Sheet omitted.)

Term Sheet

(1) Economic Terms

(a) 9 million shares of Sealed Air stock, subject to appropriate anti-dilution protection until such time as the shares are issued

(b) The sum of $512.5 million together with interest thereon from 12/21/02 at the rate of 5.5% per annum. The payment under this paragraph must be made in full at the effective date of the Grace plan of reorganization.

(c) Full protection of Sealed Air against any claims by Fresenius against Sealed Air for any tax liabilities or for any asbestos liabilities, including past and future attorneys fees or litigation costs related thereto, whether asserted by way of fraudulent conveyance, successor liability, or otherwise.

(d) Sealed Air will not seek indemnity for payments made under this agreement

(2) Non-economic terms

(a) Restrictions on resale of Sealed Air stock for two years from the issuance consistent with Rule 144 under the Securities Act of 1933, provided that during the initial two-year period, the holders of the stock will have (i) piggyback registration rights, except that there will be no piggyback registration rights on a Form S-8 registration statement and (ii) one demand registration right in the aggregate provided further that Sealed Air may defer such registration for any period that it is advised by counsel that registration would then be inappropriate in light of the securities laws

(b) The Committees will undertake to use best efforts to structure settlement to achieve favorable tax treatment for settlement

(c) This agreement is subject to Sealed Air and its affiliates, subsidiaries, officers, directors et alia receiving the full benefit of 11 U.S.C. §§ 524 (g) and 105

(d) This agreement is subject to the approval of Sealed Air's Board and the Personal and Property Damage Committees (which will be sought by the respective parties no later than December 6, 2002), and to the execution of a definitive agreement reflecting the terms set forth herein.

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EXHIBIT 21

SUBSIDIARIES OF THE COMPANY

The following table sets forth the name and state or other jurisdiction of incorporation of the Company's subsidiaries. Except as otherwise indicated, each subsidiary is wholly owned, directly or indirectly, by the Company and does business under its corporate name.

Ciras CV	Netherlands
CPI Packaging, Inc.	Delaware
Cryovac Australia Pty. Ltd.	Australia
Cryovac Brazil Ltd.	Brazil
Cryovac Chile Holdings, LLC	Delaware
Cryovac China Holdings I, Inc.	Cayman Islands
Cryovac Far East Holdings, LLC.	Delaware
Cryovac (Gaoming) Co., Ltd.**	China
Cryovac Holdings, S.A. de C.V.	Mexico
Cryovac, Inc.†	Delaware
Cryovac India Private Limited	India
Cryovac International Holdings, Inc.	Delaware
Cryovac (Malaysia) Sdn. Bhd.	Malaysia
Cryovac Packaging Portugal Embalagens, Lda.	Portugal
Cryovac (Philippines) Inc.	Philippines
Cryovac Poland Holdings, Inc.	Delaware
Cryovac Rigid Packaging Pty. Ltd.	Australia
Cryovac (Singapore) Pte. Ltd.	Singapore
Cryovac Systems (Hong Kong) Limited	Hong Kong
Cryovac (Thailand) Limited	Thailand
Dolphin Packaging (Holdings) Limited	United Kingdom
Dry Chill Pty. Ltd.	Australia
Drypac Pty. Ltd.	Australia
Invertol S.A. de C.V.	Mexico
Kelder Plastibox B.V.	Netherlands
Mipa Srl	Italy
Noja Inmobiliaria, S.A. de C.V.	Mexico
Novofilm Srl	Italy
Omni Supply Inc.**	North Carolina
OOO Sealed Air	Russia
Poly Packaging Systems, Inc.	Delaware
Polymask Corporation*	Delaware
Polypride, Inc.	Delaware
Producembal-Produção de Embalagens, Lda	Portugal
Reflectix, Inc.	Delaware
Sealed Air Africa (Pty) Ltd.	South Africa
Sealed Air AG	Switzerland
Sealed Air Argentina S.A.	Argentina
Sealed Air Australia Pty. Limited	Australia
Sealed Air Brasil Ltda.	Brazil
Sealed Air Belgium nv	Belgium
Sealed Air B.V.	Netherlands
Sealed Air (Canada) Inc.	Canada
Sealed Air Central America, S.A.	Guatemala
Sealed Air Chile Industrial Ltda.	Chile
Sealed Air Colombia Ltda.	Colombia
Sealed Air Corporation (US)	Delaware
Sealed Air de Mexico, S.A. de C.V.	Mexico
Sealed Air Denmark A/S	Denmark
Sealed Air de Venezuela, S.A.	Venezuela
Sealed Air Embalagens Ltda.	Brazil
Sealed Air Finance B.V.	Netherlands
Sealed Air Finance II B.V.	Netherlands
Sealed Air Finance Ireland	Ireland
Sealed Air Foreign Sales Corp.	Barbados
Sealed Air (Gaoming) Packaging Co., Ltd.	China

Sealed Air GmbH	Germany
Sealed Air GmbH	Switzerland
Sealed Air (Greenore) Limited	Ireland
Sealed Air Hellas S.A.**	Greece
Sealed Air Holdings (New Zealand) Limited	New Zealand
Sealed Air (Hong Kong) Limited	Hong Kong
Sealed Air Hungary Ltd.	Hungary
Sealed Air International LLC	England
Sealed Air Italy Srl	Italy
Sealed Air Japan Limited	Japan
Sealed Air Kaustik (Russia)**	Russia
Sealed Air Korea Limited	Korea
Sealed Air Limited	England
Sealed Air Limited	Ireland
Sealed Air LLC	Delaware
Sealed Air Luxembourg S.C.A.	Luxembourg
Sealed Air Luxembourg S.a.r.l.	Luxembourg
Sealed Air Luxembourg (I) S.a.r.l.	Luxembourg
Sealed Air Luxembourg (II) S.a.r.l.	Luxembourg
Sealed Air (Malaysia) Sdn. Bhd.	Malaysia
Sealed Air Management Holding GmbH & Co., KG	Germany
Sealed Air Management Holding Verwaltungs GmbH	Germany
Sealed Air Multiflex GmbH	Germany
Sealed Air Netherlands (Holdings) I B.V.	Netherlands
Sealed Air Netherlands (Holdings) II B.V.	Netherlands
Sealed Air Nevada Holdings Limited	Nevada
Sealed Air (New Zealand) Limited	New Zealand
Sealed Air Norge AS	Norway
Sealed Air Oy	Finland
Sealed Air Packaging Holdings (Israel) Ltd.	Israel
Sealed Air Packaging, S.A.	Spain
Sealed Air Packaging S.A.S.	France
Sealed Air Packaging (Shanghai) Co., Ltd.	China
Sealed Air Packaging Srl	Italy
Sealed Air Peketleme Ticaret Limited Sirketi	Turkey
Sealed Air Peru S.R.L.	Peru
Sealed Air (Philippines) Inc.	Philippines
Sealed Air Polska Sp. z.o.o.	Poland
Sealed Air S.A.S.	France
Sealed Air SEE Ltd.	Greece
Sealed Air (Singapore) Pte. Limited	Singapore
Sealed Air S.L.	Spain
Sealed Air Spain (Holdings) SL	Spain
Sealed Air Srl	Italy
Sealed Air s.r.o	Czech Republic
Sealed Air Svenska AB	Sweden
Sealed Air Systems S.A.	France
Sealed Air Taiwan Limited	Taiwan
Sealed Air (Thailand) Limited	Thailand
Sealed Air Trucking, Inc.	Delaware
Sealed Air Uruguay S.A.	Uruguay
Sealed Air Verpackungen GmbH	Germany
Shanklin Corporation	Delaware
Soinpar Industrial Ltda.	Brazil
Tart s.r.o***	Czech Republic
Tepak S.P.A.	Italy

* The Company directly or indirectly owns 50% of the outstanding shares.

** The Company directly or indirectly owns a majority of the outstanding shares.

*** The Company directly or indirectly owns less than 50% of the outstanding shares.

† Cryovac, Inc. does business in certain states under the name "Sealed Air Shrink Packaging Division."

Certain subsidiaries are omitted from the above table. Such subsidiaries, if considered in the aggregate as a single subsidiary, would not constitute a significant subsidiary as of December 31, 2002.

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EXHIBIT 21
SUBSIDIARIES OF THE COMPANY

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EXHIBIT 23

Independent Auditors' Consent

The Board of Directors
Sealed Air Corporation:

We consent to the incorporation by reference in the registration statements (Nos. 333-89090, 333-50603 and 333-59197) on Form S-8 of Sealed Air Corporation of our report dated January 24, 2003, with respect to the consolidated balance sheets of Sealed Air Corporation and subsidiaries as of December 31, 2002 and 2001, and the related consolidated statements of operations, equity, cash flows, and comprehensive (loss) income for each of the years in the three-year period ended December 31, 2002, and the related financial statement schedule, which appears in this December 31, 2002 annual report on Form 10-K of Sealed Air Corporation.

Our report on the consolidated financial statements refers to the Company's adoption of Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" effective January 1, 2002.

KPMG LLP
/S/ KPMG LLP
Short Hills, New Jersey
March 28, 2003

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EXHIBIT 99.1

**CERTIFICATION OF CEO AND CFO PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report on Form 10-K of Sealed Air Corporation (the "Company") for the fiscal year ended December 31, 2002, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), William V. Hickey, Chief Executive Officer of the Company, and David H. Kelsey, Chief Financial Officer of the Company, each hereby certifies, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ William V. Hickey

Name: William V. Hickey
Title: Chief Executive Officer
Date: March 28, 2003

/s/ David H. Kelsey

Name: David H. Kelsey
Title: Chief Financial Officer
Date: March 28, 2003

This certification accompanies the Report pursuant to §906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of §18 of the Securities Exchange Act of 1934, as amended.

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