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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, 2001

or

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

For the transition period from __________________ to __________________

Commission File Number 1-12139

SEALED AIR CORPORATION

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	**65-0654331** (I.R.S. Employer Identification Number)
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, Inc.
Series A Convertible Preferred Stock, par value $0.10 per share	New York Stock Exchange, Inc.

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 /x/ 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. /x/

The aggregate market value of the registrant's Common Stock held by non-affiliates of the registrant on March 20, 2002 was approximately $3,900,000,000.

The number of outstanding shares of the registrant's Common Stock as of March 20, 2002 was 83,711,406.

DOCUMENTS INCORPORATED BY REFERENCE: Portions of the registrant's 2001 Annual Report to Stockholders are incorporated by reference into Parts I and II of this Form 10-K. Portions of the registrant's definitive proxy statement for its 2002 Annual Meeting of Stockholders are incorporated by reference into Part III of this Form 10-K.

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 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 a broad range of perishable food applications. This segment also includes the Company's 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). 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.

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®

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absorbent pads. The Company's trays and pads are often used together. The Company's case ready packaging customers, principally meat and poultry processors, purchase trays, pads and 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.

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 primarily sold 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 non-food product display and merchandising applications. These films are used 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 paper 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, made of plastic, are marketed under 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®, Padwrap® and Void Kraft™.

The Company offers inflatable packaging systems, including its Rapid Fill® system, which consists of a compact, portable inflator and self-sealing inflatable plastic bags, and its Fill-Air™ system, which converts rolls of polyethylene film into continuous perforated chains of air-filled cushions. 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 shrink-wrap equipment for use with shrink films.

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 46 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 risks is incorporated by reference in Item 7A of this Annual Report on Form 10-K. 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, 2001 appears in Note 3 of the Notes to Consolidated Financial Statements incorporated by reference in 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. In the United States and certain other countries, the Company has separate sales and marketing groups for many of its product lines. These groups often work together to develop market opportunities for the Company's products.

To support the Company's 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 2001, no customer or affiliated group of customers accounted for as much as 10% 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,

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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. Heavy-duty applications of 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, and polyethylene foam and polyurethane foam packaging systems in the 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 promising new packaging designs or techniques developed by others and commercializes them. In recent years, the Company has instituted ongoing programs of 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 $55,779,000 related to Company-sponsored research and development in 2001, compared with $54,264,000 during 2000, and $56,452,000 during 1999.

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's patents, licenses and trademarks collectively provide a competitive advantage. No single patent or license alone, however, provides the Company with such an advantage. 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 regulating the discharge of materials into the environment or otherwise relating to the protection of the environment. The Company 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, 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 active 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, and, when possible, materials collected through these collection 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, 2001, the Company had approximately 17,700 employees worldwide.

Item 2. Properties

The Company's food packaging products are produced in 49 manufacturing facilities (14 in North America, 13 in Europe, 6 in Latin America, 15 in the Asia Pacific region, and 1 in South Africa). Protective and specialty packaging products are produced in 74 manufacturing facilities (33 in North America, 18 in Europe, 7 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 California, Indiana, Iowa, 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, New Jersey, New York, North Carolina, Pennsylvania, South Carolina, Texas and Washington. Because of the light but voluminous 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, certain of which are owned subject to mortgages or similar financing arrangements. The balance of the Company's manufacturing facilities are located in leased premises. 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 facilities are well maintained, suitable for their purposes, and adequate for the Company's needs.

Item 3. Legal Proceedings

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."

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.

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 reached conclusions adverse to the Company, such determination could have 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 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. The Company believes that New Grace's filing for reorganization may provide a single forum in which all such claims might be resolved.

Committees appointed in New Grace's bankruptcy case have sought the court's permission to pursue fraudulent transfer claims against the Company and against Fresenius, as discussed below. The claims against Fresenius are based upon a 1996 transaction between Fresenius and W. R. Grace & Co.-Conn. Fresenius is not affiliated with the Company. In March 2002, the court ordered that the issues of the solvency of Grace following the Fresenius transaction and the solvency of New Grace following the Cryovac Transaction and whether the transferor received reasonably equivalent value in such transactions would be tried on behalf of all creditors of New Grace starting on September 30, 2002. The Company believes that the Cryovac Transaction was not a fraudulent transfer and the Company intends to defend its interests vigorously.

During 2001, the Company paid approximately $8,000,000, unrelated to the asbestos and fraudulent transfer claims described above, which 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.

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 contends that the Company is obligated to indemnify Fresenius for certain liabilities that Fresenius may incur as a result of the 1996 Fresenius transaction mentioned above. Fresenius's contention is 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 believes that it is not responsible to indemnify Fresenius under the 1996 agreements and has filed the action in order to proceed to a resolution of Fresenius's claims. However, if the court were to rule against the Company and if Fresenius were to incur a material liability subject to an indemnification obligation, then the outcome of the action could have a material adverse effect on the Company's consolidated results of operations and financial position. The action is in its early stages, and Fresenius has not yet responded to the complaint.

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.

Under accounting principles generally accepted in the United States of America, an accrual for a contingent liability is appropriate only if it is probable that a liability has been incurred and if the amount of the liability can be reasonably estimated. The Company does not believe that these conditions have been met with respect to the claims against the Company related to the alleged asbestos liabilities, the fraudulent transfer claims or the Fresenius indemnification matter, all of which are described above. Accordingly, the Company has not made any accrual for these matters as of December 31, 2001.

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, less certain amounts that the Company is responsible for under the Transaction Agreements. Costs and liabilities for which the Company intends to seek indemnification by New Grace will include certain defense costs related to asbestos and fraudulent transfer litigation and the Fresenius claims, the guaranteed debt paid by the Company described above, any recovery by the creditors of New Grace if the Company were not successful in defending against the fraudulent transfer or asbestos claims described above, any recovery by Fresenius if the Company were held liable to indemnify Fresenius and Fresenius were to incur an indemnifiable liability, or any of the other potential claims against the Company mentioned above. 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 or the amount of the Company's recovery, if any, in the bankruptcy proceeding.

The Company's worldwide operations are subject to environmental laws and regulations which, among other things, impose limitations on the discharge of pollutants into the air and water and establish standards for the treatment, storage and disposal of solid and hazardous wastes. The Company reviews the effects of environmental laws and regulations on its operations and believes that it is in substantial compliance with all material applicable environmental laws and regulations.

At December 31, 2001, the Company was a party to, or otherwise involved in, several federal and state government environmental proceedings and private environmental claims for the cleanup of Superfund or other sites. The Company may have potential liability for investigation and clean up of certain of such sites. At most of such sites numerous companies, including the Company, have been identified as potentially responsible parties ("PRPs") under Superfund or related laws. It is the Company's policy to provide 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, 2001, 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 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 2001.

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, 2002, 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, 2002	First Elected to Current Position*	First Elected An Officer*
William V. Hickey President, Chief Executive Officer and Director	57	2000	1980
Robert A. Pesci Senior Vice President	56	1997	1990

David H. Kelsey Vice President and Chief Financial Officer	51	2002	2002
Jonathan B. Baker Vice President	49	1994	1994
James A. Bixby Vice President	58	1990	1990
Mary A. Coventry Vice President	48	1994	1994
Jean-Luc Debry Vice President	56	1992	1992
James P. Mix Vice President	50	1994	1994
Manuel Mondragón Vice President	52	1999	1999
Carol Lee O'Neill Vice President	38	2002	2002
J. Stuart K. Prosser Vice President	56	1999	1999

Abraham N. Reichental Vice President	45	1994	1994
Hugh L. Sargant Vice President	53	1999	1999
Fred Smagorinsky Vice President	42	2001	2001
James Donald Tate Vice President	50	2001	2001
Tod S. Christie Treasurer	43	1999	1999
Jeffrey S. Warren Controller	48	1996	1996
H. Katherine White General Counsel and Secretary	56	1998	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.

PART II

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

The information appearing under the caption "Capital Stock Information" in the Company's 2001 Annual Report to Stockholders is incorporated herein by reference.

Item 6. Selected Financial Data

The information appearing under the caption "Selected Financial Data" in the Company's 2001 Annual Report to Stockholders is incorporated herein by reference.

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

The information appearing under the caption "Management's Discussion and Analysis of Results of Operations and Financial Condition" in the Company's 2001 Annual Report to Stockholders is incorporated herein by reference.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

The information appearing under the caption "Management's Discussion and Analysis of Results of Operations and Financial Condition-Quantitative and Qualitative Disclosures about Market Risk" in the Company's 2001 Annual Report to Stockholders is incorporated herein by reference.

Item 8. Financial Statements and Supplementary Data

See Index to Consolidated Financial Statements and Schedule on page F-2 of this Annual Report on Form 10-K.

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 2002 Annual Meeting of Stockholders under the captions "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 2002 Annual Meeting of Stockholders under the captions "Directors' Compensation," "Summary Compensation Table" and "Compensation Committee Interlocks and Insider Participation." Such information is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management

The information required in response to this Item will be set forth in the Company's Proxy Statement for its 2002 Annual Meeting of Stockholders under the caption "Voting Securities." Such information is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions

None.

PART IV

Item 14. 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 F-2 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 December 20, 2001.
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 (364-Day), dated as of March 23, 2001, among the Company, certain of its subsidiaries as borrowers and guarantors thereunder, Bank of America, N.A., as Administrative Agent, Banc of America Securities LLC, as Lead Arranger and Book Manager, 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, 2001, File No. 1-12139, is incorporated herein by reference.]

10.12 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.]

10.13 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.]

10.14 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.]

10.15 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 Form of Compensation Deferral Agreement. [Exhibit 10.3 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.]*

10.20 Sealed Air Corporation 2002 Stock Plan for Non-Employee Directors (as approved by the Board of Directors for submission to the stockholders at the 2002 Annual Meeting).*

10.21 Sealed Air Corporation Deferred Compensation Plan for Directors.*

13 Portions of the Company's 2001 Annual Report to Stockholders that are incorporated by reference into this Annual Report on Form 10-K.

21 Subsidiaries of the Company.

23 Consent of KPMG LLP.

* 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 did not file any reports on Form 8-K during the fiscal quarter ended December 31, 2001.

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)

By: /s/ WILLIAM V. HICKEY

William V. Hickey
President and Chief Executive Officer

Date: March 27, 2002

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	Title	Date
By /s/ WILLIAM V. HICKEY William V. Hickey	President, Chief Executive Officer and Director (Principal Executive Officer)	March 27, 2002
By /s/ DAVID H. KELSEY David H. Kelsey	Vice President and Chief Financial Officer (Principal Financial Officer)	March 27, 2002
By /s/ JEFFREY S. WARREN Jeffrey S. Warren	Controller (Principal Accounting Officer)	March 27, 2002
By /s/ HANK BROWN Hank Brown	Director	March 27, 2002
By /s/ JOHN K. CASTLE John K. Castle	Director	March 27, 2002
By /s/ LAWRENCE R. CODEY Lawrence R. Codey	Director	March 27, 2002
By /s/ T. J. DERMOT DUNPHY T. J. Dermot Dunphy	Director	March 27, 2002

By /s/ CHARLES F. FARRELL, JR. Charles F. Farrell, Jr.	Director	March 27, 2002
By /s/ SHIRLEY ANN JACKSON Shirley Ann Jackson	Director	March 27, 2002
By /s/ ALAN H. MILLER	Director	March 27, 2002

Alan H. Miller

SEALED AIR CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS AND SCHEDULE

Years ended December 31, 2001, 2000 and 1999

SEALED AIR CORPORATION AND SUBSIDIARIES

Index to Consolidated Financial Statements and Schedule

* The information required appears on pages 30 through 58 of the Company's 2001 Annual Report to Stockholders and is incorporated by reference into this Annual Report on Form 10-K.

All other schedules are omitted, as the required information is inapplicable or the information is presented in the consolidated financial statements or related notes.

Independent Auditors' Report on Schedule

The Board of Directors
Sealed Air Corporation:

Under date of January 24, 2002, we reported on the consolidated balance sheets of Sealed Air Corporation and subsidiaries as of December 31, 2001 and 2000, and the related consolidated statements of earnings, equity, cash flows, and comprehensive income for each of the years in the three-year period ended December 31, 2001, as contained in the 2001 Annual Report to Shareholders of Sealed Air Corporation. These consolidated financial statements and our report thereon are incorporated by reference in this Annual Report on Form 10-K. In connection with our audits of the aforementioned consolidated financial statements, we also audited the related consolidated financial statement schedule as listed in the accompanying index. This financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement schedule based on our audits.

In our opinion, such 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.

/s/ KPMG LLP

KPMG LLP
Short Hills, New Jersey
January 24, 2002

SEALED AIR CORPORATION AND SUBSIDIARIES
SCHEDULE II
Valuation and Qualifying Accounts and Reserves

Years Ended December 31, 2001, 2000 and 1999
(In thousands of dollars)

Description	Balance At Beginning Of Year	Additions: Charged To Costs And Expenses	Additions: Other	Deductions	Balance At End Of Year
Year ended December 31, 2001					
Allowance for doubtful accounts	21,171	8,737	855	(5,339)(1)	25,424
Inventory 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 reserve	27,061	1,778	131	(4,646)(2)	24,324
Year ended December 31, 1999					
Allowance for doubtful accounts	17,945	6,662	1,936	(5,147)(1)	21,396
Inventory reserve	26,732	6,799	25	(6,495)(2)	27,061

(1) Primarily accounts receivable balances written off.

(2) Primarily items removed from inventory.

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Exhibit 3.1

(Unofficial Composite Copy through filing of December 20, 2001)

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 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. 27,358,504 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.

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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 $^{1}/_{1,000,000}$th 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.

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(Unofficial Composite Copy through filing of December 20, 2001)
AMENDED AND RESTATED CERTIFICATE OF INCORPORATION OF SEALED AIR CORPORATION

QuickLinks -- Click here to rapidly navigate through this document

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 7, 2001 shall be and are retired as shares of such Series A Convertible Preferred Stock.

SECOND: Pursuant to such resolution, the Corporation has retired 931,210 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 20th day of December, 2001.

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 10.20

SEALED AIR CORPORATION
2002 STOCK PLAN
FOR NON-EMPLOYEE DIRECTORS

Section 1. *Purpose.* The Sealed Air Corporation 2002 Stock Plan for Non-Employee Directors (the "Plan") is designed to enhance the ability of Sealed Air Corporation (the "Corporation") to attract, retain and motivate Non-Employee Directors (as defined in Section 3) of exceptional ability and to promote the common interest of directors and stockholders in enhancing the value of the Corporation's common stock, par value $0.10 per share ("Common Stock"). The Plan provides for payment in shares of the Common Stock of all or a portion of the Retainer (as defined below) paid to each Non-Employee Director for serving as a director of the Corporation.

Section 2. *Stock Available.* The stock subject to the Plan shall be such authorized but unissued or treasury shares of Common Stock as shall from time to time be available for issuance pursuant to the Plan. The total amount of Common Stock which may be issued pursuant to the Plan is 100,000 shares, subject to adjustment in accordance with the provisions of Section 10.

Section 3. *Eligibility.* Each Non-Employee Director of the Corporation shall be eligible to participate in the Plan. As used in the Plan, the term "Non-Employee Director" shall include any person who, at the time he or she becomes otherwise entitled to receive a Retainer under the Plan, is not an officer or employee of the Corporation or any of its Subsidiaries (as such term is defined in Section 19). Any Non-Employee Director who becomes an officer or employee of the Corporation or any of its Subsidiaries shall cease to be eligible to participate in the Plan for so long as such person remains as such an officer or employee.

Section 4. *Retainer.* Retainers, which shall be either Annual Retainers or Interim Retainers, shall be earned by Non-Employee Directors as follows:

(a) *Annual Retainers.* Upon the adjournment of each annual meeting of the stockholders of the Corporation, each Non-Employee Director who has been elected a director of the Corporation at such meeting shall be entitled to receive an Annual Retainer in an amount established prior to such annual meeting by the Board of Directors.

(b) *Interim Retainers.* If any Non-Employee Director is elected a director other than at an annual meeting of the stockholders of the Corporation, then on the date of such Non-Employee Director's election such Non-Employee Director shall be entitled to an Interim Retainer in the amount of one-twelfth of the Annual Retainer for Non-Employee Directors elected at the previous annual meeting of the stockholders for each full 30-day period during the period commencing on and including the date of such person's election as a director and ending on and including the date of the next annual meeting of the stockholders of the Corporation provided for in accordance with the By-Laws of the Corporation as then in effect.

(c) *Plan Periods.* The first Plan Period shall commence upon the election of directors at the 2002 annual meeting of the stockholders of the Corporation and terminate upon the election of directors at the 2003 annual meeting of the stockholders of the Corporation. Subsequent Plan Periods shall relate to successive similar periods between annual meetings of the stockholders of the Corporation.

Section 5. *Payment of Retainers.*

(a) Except as otherwise provided in Section 5(c), (i) 50% of each Retainer shall be payable in shares of Common Stock, and the remaining 50% of such Retainer shall be payable in cash or in stock, at the written election of the Non-Employee Director, (ii) issuance of the portion of a Retainer payable in shares of Common Stock shall be made as promptly as practicable after the Non-Employee Director becomes entitled to receive it, (iii) payment of the portion of an Annual Retainer payable in cash, if

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any, shall be made in four equal installments on or about the first day of July, October, January and April in the Plan Period to which such Annual Retainer relates, and (iv) payment of the portion of any Interim Retainer payable in cash, if any, shall be made in equal installments on the remaining cash payment dates during the Plan Period in which the Non-Employee Director is elected, provided, that if such Non-Employee Director is elected between April 1 and the next annual meeting of stockholders of the Corporation, then the portion of the Interim Retainer payable in cash, if any, shall be paid as promptly as practicable after the Non-Employee Director is elected. If a Non-Employee Director has not made the election referred to in (i) above prior to the first day of the Plan Period (or, for an Interim Retainer, prior to the date such Non-Employee Director is elected), then 50% of his or her Retainer shall be payable in shares of Common Stock and 50% of his or her Retainer shall be payable in cash.

(b) The number of shares of Common Stock to be paid as all or part of an Annual Retainer shall be calculated by dividing the amount of such Annual Retainer payable in shares of Common Stock by the last sales price of the Common Stock on the applicable annual meeting date as reported on the consolidated transaction reporting system for New York Stock Exchange listed issues on that date or, if no sales occurred on that date, the last sales price on the consolidated transaction reporting system on the most recent prior day on which a sale occurred (the "Fair Market Value Per Share"). The number of shares to be paid as all or part of an Interim Retainer shall be calculated using the Fair Market Value Per Share on the date of election of the Non-Employee Director who will receive the Interim Retainer. If the calculation of the portion of an Annual Retainer or an Interim Retainer to be paid in shares of Common Stock would result in a fractional share of Common Stock being issued, then the number of shares to be so paid shall be rounded up to the nearest whole share. No fractional shares of Common Stock shall be issued under this Plan, whether as part of an Annual Retainer or as part of an Interim Retainer.

(c) Payment of all or part of a Retainer may be deferred under the Sealed Air Corporation Deferred Compensation Plan for Directors or any other applicable plan or arrangement providing for the deferred payment of retainers that may be in effect from time to time. Shares of Common Stock which a Non-Employee Director becomes entitled to receive under this Plan and for which payment is deferred under any such deferral arrangement shall be deemed to be issued under this Plan when issued.

Section 6. *Non-Transferability of Grants.* Except for gifts of shares permitted under this Section, no grant of shares of Common Stock pursuant to the Plan shall be transferable by the recipient of such grant, and no shares of Common Stock issued pursuant to the Plan, or any interest therein, may be sold, transferred, pledged, encumbered or otherwise disposed of (including without limitation by way of gift or donation) by the Non-Employee Director to whom such shares have been issued as long as such Non-Employee Director shall remain a director of the Corporation. Any Non-Employee Director of the Corporation may make a gift of any such shares to members of the immediate family of such Non-Employee Director or to a trust or other form of indirect ownership (a "Permitted Transferee") on the conditions that (i) the Non-Employee Director shall continue to be deemed a beneficial owner of such transferred shares and retain voting and investment control over such shares while the Non-Employee Director remains a director of the Corporation, except upon a Change of Control as provided below, and (ii) the Permitted Transferee shall execute an agreement with the Corporation on terms acceptable to counsel to the Corporation providing that such shares shall be subject to all terms and restrictions of this Plan. For the purpose of this Section 6, "immediate family" shall have the meaning given in Rule 16a-1 under the Securities Exchange Act of 1934, as amended (the "Securities Exchange Act"), and "beneficial owner" shall have the meaning given in Rule 16a-1 under the Securities Exchange Act, other than for purposes of determining beneficial ownership of more than ten percent of any class of equity securities.

Section 7. *Execution of Agreement.* Each grant of Common Stock pursuant to this Plan shall be contingent upon and subject to (i) payment by such Non-Employee Director pursuant to Section 8 of the Issue Price for the shares included as part of the Annual Retainer or the Interim Retainer, as the case may be, and (ii) the execution by the Non-Employee Director of a document agreeing to hold the

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shares of Common Stock covered by such grant in accordance with the terms and conditions of the Plan (including without limitation Sections 6, 12 and 13) and containing such other terms and conditions as may be required by counsel to the Corporation in order to comply with federal or state securities laws or other legal requirements.

Section 8. *Issue Price of Common Stock.* Before Common Stock may be issued to a Non-Employee Director under the Plan, or credited to the account of a Non-Employee Director under any of the retainer deferral arrangements referred to in Section 5(c), the Non-Employee Director shall pay to the Corporation an amount of money ("Issue Price") equal to the par value per share of the Common Stock times the number of shares of Common Stock to be issued or credited. The Issue Price for shares of Common Stock granted under the Plan shall be tendered to the Corporation within thirty (30) days after notice of the amount thereof is given by the Corporation to the recipient of such shares.

Section 9. *Change in Control.* A "Change in Control" shall occur when (i) there occurs a reorganization, merger, consolidation, sale of all or substantially all the Corporation's assets, or other corporate transaction involving the Corporation (a "Corporate Transaction") and the stockholders of the Corporation immediately prior to such Corporate Transaction do not, immediately after the Corporate Transaction, beneficially own, in the aggregate, directly or indirectly, at least 70% of the combined voting power of the outstanding voting securities of the successor or resulting corporation or other entity resulting from such Corporate Transaction, where the term "beneficially own" shall be used as in Sections 13(d) and 14(d) of the Securities Exchange Act, (ii) any "person" (as the term "person" is used in Sections 13(d) and 14(d) of the Securities Exchange Act) is or becomes the beneficial owner, directly or indirectly, of securities of the Corporation representing 30% or more of the combined voting power of the Corporation's then outstanding securities, (iii) as a result of any solicitation subject to Rule 14a-11 under the Securities Exchange Act (or any successor rule thereto) one or more persons not recommended by or opposed for election to the Board of Directors by one-third or more of the Continuing Directors of the Corporation then in office is or are elected a director of the Corporation, or (iv) the Corporation shall become subject for any reason to a voluntary or involuntary dissolution or liquidation. A "Continuing Director" shall be a director of the Corporation who is serving as such at the commencement of the first Plan Period and any person who is approved as a nominee or elected to the Board of Directors by a majority of Continuing Directors who are then members of the Board of Directors of the Corporation. Upon any Change in Control, as of the close of business at the principal executive office of the Corporation on the business day immediately preceding the date on which such event occurs, for purposes of the Plan and to the extent that the provisions of the Plan remain applicable to shares granted under the Plan, the restriction provided for in Section 6 of the Plan shall without further act expire and cease to apply to any securities granted under the Plan, the requirement of a legend on stock certificates provided for in Section 12 of the Plan shall without further act expire and cease to apply to any securities granted under the Plan, and each Non-Employee Director or Permitted Transferee holding shares issued under the Plan shall thereupon have the right to receive unlegended shares as set forth in the last sentence of Section 12 of the Plan.

Section 10. *Adjustments.* In the event of changes in the Common Stock of the Corporation after the commencement of the first Plan Period by reason of any stock dividend, split-up, combination of shares, reclassification, recapitalization, merger, consolidation, reorganization or liquidation: (a) the restrictions provided in Section 6 and the requirement of a legend on stock certificates provided in Sections 12 and 13(d) shall apply to any securities issued in connection with any such change in respect of stock which has been issued under the Plan and (b) appropriate adjustments shall be made by the Board of Directors as to (i) the number and class of shares available under the Plan in the aggregate, (ii) the Issue Price for future elections of Non-Employee Directors, and (iii) the number of shares to be delivered to a Non-Employee Director and the Issue Price where such change occurred after the Non-Employee Director was elected but before the date the stock covered by the applicable Retainer is issued, including deferred payments under any of the deferral arrangements referred to in Section 5(c).

Section 11. *Action by Corporation.* Neither the existence of the Plan nor the issuance of Common Stock pursuant thereto shall impair the right of the Corporation or its stockholders to make or effect any adjustments, recapitalization or other change in the Common Stock referred to in

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Section 10, any change in the Corporation's business, any issuance of debt obligations or stock by the Corporation or any grant of options on stock of the Corporation.

Section 12. *Legend on Stock Certificates.* All shares of Common Stock issued under the Plan shall, so long as the restrictions imposed by the Plan (including without limitation Section 6) remain in effect, be represented by certificates, each of which shall bear a legend in substantially the following form:

> This certificate and the shares represented hereby are held subject to the terms of the 2002 Stock Plan for Non-Employee Directors of Sealed Air Corporation, which Plan provides that neither the shares issued pursuant thereto, nor any interest therein, may be sold, transferred, pledged, encumbered or otherwise disposed of (including without limitation by way of gift or donation) except in accordance with such Plan. A copy of such Plan is available for inspection at the executive offices of Sealed Air Corporation.

Each Non-Employee Director and his or her Permitted Transferees may surrender to the Corporation the certificate or certificates representing such shares in exchange for a new certificate or certificates, free of the above legend, or for a statement from the Corporation representing such shares held in book entry form free of such legend at any time after either such Non-Employee Director has ceased to be a director of the Corporation or the restriction set forth in Section 6 has otherwise ceased to apply to the shares covered by such certificate.

Section 13. *Government and Other Regulations and Restrictions.*

(a) *In General.* The issuance by the Corporation of any shares of Common Stock pursuant to the Plan shall be subject to all applicable laws, rules and regulations and to such approvals by governmental agencies as may be required.

(b) *Registration of Shares.* The Corporation shall use its reasonable commercial efforts to cause the grants of shares of Common Stock to be made pursuant to this Plan to be registered under the Securities Act of 1933, as amended (the "Securities Act"), but shall otherwise be under no obligation to register any shares of Common Stock issued under the Plan under the Securities Act or otherwise. If, at the time any shares of Common Stock are issued pursuant to the Plan or transferred to a Permitted Transferee, there shall not be on file with the Securities and Exchange Commission an effective Registration Statement under the Securities Act covering such shares of Common Stock, the person to whom such shares are to be issued will execute and deliver to the Corporation upon receipt by him or her of any such shares an undertaking, in form and substance satisfactory to the Corporation, that (i) such person has had access or will, by reason of such person's service as a director of the Corporation, or otherwise, have access to sufficient information concerning the Corporation to enable him or her to evaluate the merits and risks of the acquisition of shares of the Corporation's Common Stock pursuant to the Plan, (ii) such person has such knowledge and experience in financial and business matters that such person is capable of evaluating such acquisition, (iii) it is the intention of such person to acquire and hold such shares for investment and not for the resale or distribution thereof, (iv) such person will comply with the Securities Act and the Securities Exchange Act with respect to such shares, and (v) such person will indemnify the Corporation for any costs, liabilities and expenses which the Corporation may sustain by reason of any violation of the Securities Act or the Securities Exchange Act occasioned by any act or omission on his or her part with respect to such shares.

(c) *Resale of Shares.* Without limiting the generality of Section 6, shares of Common Stock acquired pursuant to the Plan shall not be sold, transferred or otherwise disposed of unless and until either (i) such shares shall have been registered by the Corporation under the Securities Act, (ii) the Corporation shall have received either a "no action" letter from the Securities and Exchange Commission or an opinion of counsel acceptable to the Corporation to the effect that such sale, transfer or other disposition of the shares may be effected without such registration, or (iii) such sale, transfer or disposition of the shares is made pursuant to Rule 144 under the Securities Act, as the same

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may from time to time be in effect, and the Corporation shall have received information acceptable to the Corporation to such effect.

(d) *Legend on Certificates.* The Corporation may require that any certificate or certificates evidencing shares issued pursuant to the Plan bear a restrictive legend, and be subject to stop-transfer orders or other actions, intended to effect compliance with the Securities Act or any other applicable regulatory measures.

Section 14. *No Right to Continued Membership; Non-Exclusivity.* Nothing contained in the Plan shall prevent the Board of Directors from adopting other or additional compensation arrangements or modifying existing compensation arrangements for Non-Employee Directors, subject to stockholder approval if such approval is required by applicable statute, rule or regulation; and such arrangements may be either generally applicable or applicable only in specific cases. The adoption of the Plan shall not confer upon any member of the Board of Directors of the Corporation any right to continued membership on the Board of Directors of the Corporation.

Section 15. *No Rights in Common Stock.* No Non-Employee Director or Permitted Transferee shall have any interest in or be entitled to any voting rights or dividends or other rights or privileges of stockholders of the Corporation with respect to any shares of Common Stock granted pursuant to the Plan unless, and until, shares of Common Stock are actually issued to such person and then only from the date such person becomes the record owner thereof.

Section 16. *Tax Withholding.* The Corporation shall make appropriate provisions for the payment of any federal, state or local taxes or any other charges that may be required by law to be withheld by reason of the payment of a Retainer or a grant or the issuance of shares of Common Stock pursuant to the Plan.

Section 17. *No Liability.* No member of the Board of Directors of the Corporation, nor any officer or employee of the Corporation acting on behalf of the Board of Directors of the Corporation, shall be personally liable for any action, determination or interpretation taken or made in good faith with respect to the Plan, and all members of the Board of Directors and each and any officer or employee of the Corporation acting on their behalf shall, to the extent permitted by law, be fully indemnified and protected by the Corporation in respect of any such action, determination or interpretation.

Section 18. *Successors.* The provisions of the Plan shall be binding upon and inure to the benefit of all successors of any person receiving a Retainer or Common Stock of the Corporation pursuant to the Plan, including, without limitation, the estate of such person and the executors, administrators or trustees thereof, the heirs and legatees of such person, and any receiver, trustee in bankruptcy or representative of creditors of such person.

Section 19. *Subsidiaries.* For the purposes of the Plan, the term "Subsidiaries" includes those corporations 50 per cent or more of whose outstanding voting stock is owned or controlled, directly or indirectly, by the Corporation and those companies, partnerships and joint ventures in which the Corporation owns directly or indirectly a 50 per cent or more interest in the capital account or earnings.

Section 20. *Expenses.* The expenses of administering the Plan shall be borne by the Corporation.

Section 21. *Pronouns.* Masculine pronouns and other words of masculine gender shall refer to both men and women.

Section 22. *Termination and Amendment of the Plan.* The Board of Directors may from time to time amend this Plan, or discontinue the Plan or any provisions thereof, provided that no amendment or modification of the Plan shall be made without the approval of the stockholders of the Corporation that would (i) increase the number of shares of Common Stock available for issuance under the Plan; (ii) modify the requirements as to eligibility for participation under the Plan; or (iii) change any of the provisions of this Section 22. No amendment or discontinuation of the Plan or any provision thereof

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shall, without the written consent of the participant, adversely affect any shares theretofore granted to such participant under the Plan.

Section 23. *Effective Date.* The Plan shall become effective on the date of its approval by the stockholders of the Corporation.

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SEALED AIR CORPORATION 2002 STOCK PLAN FOR NON-EMPLOYEE DIRECTORS

Exhibit 10.21

SEALED AIR CORPORATION
DEFERRED COMPENSATION PLAN FOR DIRECTORS
February 7, 2002

1. *PURPOSE.* The Plan is designed to provide a method of deferring payment to directors of Sealed Air Corporation (the "Corporation") of their annual retainers, as fixed from time to time by the Board of Directors, including any portion thereof otherwise payable in accordance with the Restricted Stock Plan for Non-Employee Directors of Sealed Air Corporation or any successor plan thereto (the "Directors Stock Plan"), until termination of their services on the Board. It is the intent of the Corporation that amounts deferred under the Plan by a director shall not be taxable to the director for income tax purposes until the time they are actually received by the director. The provisions of the Plan shall be construed and interpreted to effectuate such intent.

2. *PLAN PERIODS.* The first Plan Period shall commence upon the election of directors at the 2002 annual meeting of stockholders and terminate upon the election of directors at the 2003 annual meeting of stockholders. Subsequent Plan Periods shall relate to successive similar periods between annual meetings of stockholders.

3. *ADMINISTRATION.* The Plan shall be administered by a committee consisting of the Chief Executive Officer of the Corporation and two other officers of the Corporation selected by him (such committee referred to herein as the "Plan Administrator"). The Plan Administrator shall have the power to interpret the Plan and, subject to its provisions, to make all determinations necessary or desirable for the Plan's administration.

4. *PARTICIPATION.*

(a) *Eligibility.* An individual who is a "Non-Employee Director" as defined under the Directors Stock Plan shall be eligible to make a deferral election under the Plan.

(b) *Elections to Defer.* A Non-Employee Director may become a Participant in the Plan by irrevocably electing to defer all of the portion of the annual retainer payable to the Non-Employee Director in shares of Common Stock for the Plan Period commencing during the calendar year. If a Participant elects such deferral and will also receive a portion of his or her annual retainer in cash, then the Participant may also elect to defer all of the portion of the annual retainer payable to the Non-Employee Director in cash for such Plan Period. In order to be effective, a Non-Employee Director's election to defer must be in writing on a form provided by the Plan Administrator that is executed and returned to the Plan Administrator on or before the date specified by the Plan Administrator for such purpose. Such election must normally be made prior to the beginning of the calendar year to which the election relates. However, the Plan Administrator, in its sole and exclusive discretion, may determine that in certain circumstances an election may be made during a calendar year if such determination is not inconsistent with the intent of the Plan expressed in Section 1 above. If a person ceases to be a Non-Employee Director as defined under the Directors Stock Plan but continues to serve as a director, the person shall no longer be eligible to make deferral elections under the Plan but will continue to be a Participant in the Plan with respect to amounts previously deferred under the Plan while serving as a Non-Employee Director.

5. *ESTABLISHMENT OF ACCOUNTS.*

(a) *Accounts.* The Corporation shall establish and maintain on its books for each Participant a Stock Account and a Cash Account (collectively, the Participant's Accounts).

(i) *Stock Accounts.* For a Non-Employee Director who becomes a Participant by electing to defer the portion of his or her annual retainer payable in shares of the Corporation's Common Stock, a number of Stock Units equal to the number of shares that would have otherwise been paid to the Participant under the Directors Stock Plan shall be

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credited to his or her Stock Account on or about the date on which the Participant would have become entitled to receive such shares if payment had not been deferred. Such deferral shall be subject to any applicable terms and conditions of the Directors Stock Plan (such as any requirement for the payment of consideration for the shares, if applicable).

(ii) *Cash Accounts.* If the Participant also elects to have payment deferred of the portion of his or her annual retainer payable in cash, such amounts shall be credited to his or her Cash Account on or about the date or dates on which the cash payments would otherwise have been paid to the Participant if he or she had not elected to defer such payments. The Cash Account may also be credited from time to time with interest adjustments and adjustments for cash dividends as provided below.

(b) *Account Adjustments Related to Stock Account.* If cash dividends should be paid on the Corporation's Common Stock while any Participant has a Stock Account, the cash dividends based on the number of Stock Units held in such Stock Account shall be credited to that Participant's Cash Account on the applicable dividend payment date. In addition, each Stock Account shall be appropriately adjusted in the event of a stock dividend, split-up, combination of shares, reclassification, recapitalization, merger, consolidation, reorganization or liquidation to the same extent such adjustment is made under the Directors Stock Plan.

(c) *Account Adjustments Related to Cash Account.* As of the last day of each calendar quarter, each Cash Account shall be credited with earnings at the Prime Rate (as defined below) applicable to such quarter less 50 basis points. Such earnings credit shall be computed on the average daily balance in the Cash Account during such calendar quarter, excluding any assets that have been distributed from such Account during such quarter. "Prime Rate" means the "prime rate" as reported in *The Wall Street Journal* as the base rate on corporate loans posted by at least 75% of the nation's 30 largest banks. The Prime Rate applicable to a quarter shall be the Prime Rate reported on the first day of such quarter or, if no Prime Rate is reported on such date, on the most recent prior day on which a Prime Rate is reported.

6. *PAYMENT.*

(a) *Payment Options.* At the time a Participant first makes an election to defer an annual retainer under the Plan, the Participant shall be given the opportunity to elect one of the following payment options: (i) a single payment or (ii) five annual installments. The election shall be made in writing on a form provided by the Plan Administrator and must be returned to the Plan Administrator before the date specified by the Plan Administrator. Such election shall be effective with respect to all payments of annual retainers deferred under the Plan by a Participant. If a Participant fails to duly elect a payment option, the method of payment shall be a single payment. After the initial deferral election, a participant may elect as a new payment option the other payment option listed above by submitting a new payment option election to the Plan Administrator. The new payment option election shall be made in writing on the form provided by the Plan Administrator. The new payment option election shall become effective six months after the date the form is received by the Plan Administrator, provided that the Participant has remained a Non-Employee Director continuously until that date. Only one new payment option election may be submitted during any calendar year. Upon becoming effective, the new payment option shall apply with respect to all amounts deferred under the Plan by the Participant, including amounts deferred under the Plan before the election became effective.

(b) *Single Payment.* If a Participant to whom the single payment method applies terminates service as a member of the Board of Directors of the Corporation, such Participant's Accounts shall continue to be credited with adjustments under Sections 5(b) and 5(c) above through December 31 of the calendar year in which such termination occurs. The final Cash Account balance as of such December 31 shall be paid in a single cash payment to the Participant (or to

the Participant's designated beneficiary if the Participant dies prior to distribution of his or her Account) by January 31 of the following calendar year. The number of shares of Common Stock equal to the number of Stock Units in the Stock Account as of such December 31 shall be issued to the Participant (or to the Participant's designated beneficiary, if appropriate) by January 31 of the following year.

(c) *Annual Installments.* If a participant to whom the annual installments method applies terminates service as a member of the Board of Directors of the Corporation, the amount of such annual installments shall be calculated and paid as provided in this Section 6(c). The Participant's Accounts shall continue to be credited with adjustments under Sections 5(b) and 5(c) until the Accounts are fully paid out. The first installment shall be paid by January 31 of the calendar year immediately following the calendar year in which such termination occurred, and each subsequent installment shall be paid by January 31 of each subsequent calendar year. Each payment from each Account shall be equal to (i) the balance in such Account as of December 31 of the calendar year immediately preceding the calendar year of payment, multiplied by (ii) a fraction, the numerator of which is one and denominator is the number of installments remaining, including the current year's payment, *provided, however*, that no fractional shares of Common Stock shall be issued, but instead the number of shares to be issued as part of each payment shall be rounded to the nearest whole number of shares. In the event of the Participant's death before all installments have been paid, any remaining annual installments shall be paid to the Participant's designated beneficiary.

(d) *Payments from Stock Accounts.* Shares of Common Stock to be delivered in payment of all or part of a Stock Account shall come from the Directors Stock Plan. Notwithstanding any other provisions of this Plan, the issuance by the Corporation of any shares of Common Stock in payment of all or part of a Stock Account shall be subject to all applicable laws, rules and regulations and to such approvals by governmental agencies as may be required. Shares of Common Stock so issued may not be sold, transferred or otherwise disposed of except in compliance with such rules, and the Corporation may require that any certificate evidencing shares so issued bear a restrictive legend and be subject to stop-transfer orders or other actions intended to effect compliance with the Securities Act of 1933, as amended, or any other applicable regulatory measures. If, in the Plan Administrator's sole and exclusive discretion, issuance of shares of Common Stock in payment of all or part of a Stock Account is not practicable, whether due to compliance with such laws, rules or regulations or otherwise, then the Plan Administrator (subject to any required Board or other approval for purposes of Section 16 under the Securities Exchange Act of 1934, as amended) can cause the Corporation to pay cash to the Participant or beneficiary to whom the shares would otherwise be issued in an amount equal to the number of Stock Units to be distributed times the price per Stock Unit equal to the closing price of a share of Common Stock on December 31 of the calendar year immediately preceding the calendar year of payment as reported on the consolidated transaction reporting system for New York Stock Exchange listed issues on that date or, if no sales occurred on that date, on the most recent prior day on which a sale occurred.

(e) *Other Payment Provisions.* Subject to the provisions of Section 6(f) and 7 below, a Participant shall not be paid any portion of the Participant's Accounts prior to the Participant's termination of service as a member of the Board of Directors of the Corporation. Any payment hereunder shall be subject to applicable withholding taxes. If any amount becomes payable under the provisions of the Plan to a Participant, beneficiary or other person who is a minor or an incompetent, whether or not declared incompetent by a court, such amount may be paid directly to the minor or incompetent person or to such person's legal representative (or attorney-in-fact in the case of an incompetent) as the Plan Administrator, in its sole discretion, may decide, and the Plan Administrator shall not be liable to any person for any such decision or any payment pursuant thereto. Participants shall designate a beneficiary under the Plan on a form furnished by the Plan

Administrator, and if a Participant does not have a beneficiary designation in effect, the designated beneficiary shall be the Participant's estate.

(f) *Withdrawals on Account of Unforeseeable Emergency.* Notwithstanding any other provision of the Plan, if the Plan Administrator shall determine in its sole discretion that the time of payment of a Participant's Accounts should be advanced because of "unforeseeable emergency," then the Plan Administrator may advance the time or times of payment (whether before or after the Participant's termination of services as a member of the Board of Directors of the Corporation). A Participant requesting a payment under this Section 6(f) shall have the burden of proof of establishing, to the Plan Administrator's satisfaction, the existence of such "unforeseeable emergency," and the amount of the payment needed to satisfy the same. In that regard, the Participant shall provide the Plan Administrator with such financial data and information as the Plan Administrator may request. If the Plan Administrator determines that a payment shall be made to a Participant under this Section 6(f), such payment shall be made within a reasonable time after the Plan Administrator's determination of the existence of such "unforeseeable emergency" and the amount of payment so needed. Withdrawals of amounts because of an "unforeseeable emergency" shall not exceed an amount reasonably needed to satisfy the emergency need. As used herein, the term "unforeseeable emergency" means a severe financial hardship to a participant resulting from a sudden and unexpected illness or accident of the Participant or of a dependent of the Participant, loss of the Participant's property due to casualty, or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant. The circumstances that shall constitute an "unforeseeable emergency" shall depend upon the facts of each case, but, in any case, payment may not be made to the extent that such hardship is or may be relieved (i) through reimbursement or compensation by insurance or otherwise, or (ii) by liquidation of the Participant's assets, to the extent the liquidation of such assets would not itself cause severe financial hardship. Examples that are not considered to be "unforeseeable emergencies" include the need to send a Participant's child to college or the desire to purchase a home. Amounts withdrawn under this Section 6(f) shall come first from the Participant's Cash Account, and second, to the extent necessary, from the Participant's Stock Account. Amounts to be withdrawn from the Stock Account under this Section 6(f) shall be payable in cash (subject to any required Board or other approval for purposes of Section 16 under the Securities Exchange Act of 1934, as amended) based on the closing price of the Common Stock as of the determination date for the withdrawal.

(g) *Statements of Accounts.* Each Participant shall receive an annual statement of the balance in the participant's Accounts.

7. *TERMINATION AND AMENDMENT.* The Board may terminate the Plan at any time so that no further amounts shall be credited to Accounts or may, from time to time, amend the Plan, without the consent of Participants or beneficiaries; *provided, however*, that no such amendment or termination shall reduce the amount actually credited to a Participant's Accounts under the Plan on the date of such amendment or termination or further defer the due dates for the payment of such amounts without the consent of the affected Participant or beneficiary. Notwithstanding the provisions of Section 6(a), in connection with any termination of the Plan the Board of Directors shall have the authority to cause the Accounts of all participants to be paid in a single payment as of a date determined by the Board of Directors or to otherwise accelerate the payment of Accounts in such manner as the Board of Directors shall determine in its discretion. In that case, the Board may determine to pay Stock Accounts either in shares of Common Stock or in cash based on the closing price of the Common Stock as of the Plan termination date (or any later determination date or dates established by the Board for such purpose).

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8. *APPLICABLE LAW.* The Plan shall be construed, administered, regulated and governed in all respects under and by the laws of the United States to the extent applicable, and to the extent such laws are not applicable, by the laws of the state of Delaware.

9. *MISCELLANEOUS.* A Participant's rights and interests under the Plan may not be assigned or transferred by the Participant. The Plan shall be an unsecured, unfunded arrangement. To the extent the Participant acquires a right to receive payments from the Corporation under the Plan, such right shall be no greater than the right of any unsecured general creditor of the Corporation. The Corporation shall not be required to segregate any amounts credited to any Account, which shall be established merely as an accounting convenience. No shares will be issued in respect of any Stock Account until distribution of such account and no Participant shall have any rights as a stockholder of the Corporation with respect to any Stock Units credited to the Participant's Stock Account unless and until those Stock Units are paid to the Participant by the issuance of shares of Common Stock as provided herein. Nothing contained herein shall be deemed to create a trust of any kind or any fiduciary relationship between the Corporation and any Participant. The Plan shall be binding on the Corporation and any successor in interest of the Corporation.

IN WITNESS WHEREOF, this instrument has been executed by an authorized officer of the Corporation as of the 7th day of February, 2002.

SEALED AIR CORPORATION

By: /s/ William V. Hickey

William V. Hickey
President and Executive Officer

QuickLinks

SEALED AIR CORPORATION DEFERRED COMPENSATION PLAN FOR DIRECTORS February 7, 2002

Selected Financial Data[(1)]
(In thousands of dollars, except per share data)

	2001	2000	1999	1998	1997
Consolidated Statement of Earnings Data:					
Net sales	$ 3,067,482	$ 3,067,714	$ 2,931,853	$ 2,580,207	$ 1,875,273
Gross profit	990,287	1,035,304	1,028,722	868,736	646,002
Operating profit	387,391	468,463	452,192	259,332	267,744
Earnings before income taxes	297,452	413,429	395,653	198,947	263,672
Net earnings	156,697	225,319	211,461	73,007	173,732
Series A convertible preferred stock dividends[(2)]	55,024	64,266	71,422	53,921	
Earnings per common share[(3)]					
Basic	$ 1.30	$ 2.47	$ 1.69	$ 0.04	$ 2.54
Diluted	$ 1.22	$ 1.93	$ 1.68	$ 0.02	$ 2.39
Consolidated Balance Sheet Data:					
Working capital[(4)]	$ 149,372	$ 202,512	$ 221,130	$ 309,624	$ 343,741
Total assets[(4)]	3,907,909	4,090,882	3,887,583	4,066,982	1,646,831
Long-term debt, less current portion[(4)]	788,111	944,453	665,116	996,526	—
Series A convertible preferred stock[(2)]	1,366,154	1,392,373	1,761,662	1,791,093	—
Total shareholders' equity[(5)]	850,152	753,129	551,030	437,045	1,352,628
Other Data:					
EBIT[(6)]	$ 373,850	$ 477,942	$ 453,779	$ 252,576	$ 263,672
Depreciation and amortization	220,616	219,641	223,399	195,954	111,080
EBITDA[(7)]	594,466	697,583	677,178	448,530	374,752
Capital expenditures	146,277	114,197	75,080	82,408	101,997

(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. See Note 18 to the Consolidated Financial Statements.

(2) The Series A convertible preferred stock pays a cash dividend at an annual rate of $2.00 per share, payable quarterly in arrears as declared by the Board of Directors, and is subject to mandatory redemption on March 31, 2018 at $50 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 for each quarter following the issuance of the shares on March 31, 1998.

(3) Prior to March 31, 1998, 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 periods prior to March 31, 1998, retroactive recognition has been given to the various actions undertaken in connection with the Cryovac Transaction.

(4) 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 receivables. This amount was used to pay down certain of the Company's outstanding borrowings. See Note 4 to the Consolidated Financial Statements.

(5) Shareholders' equity for 1997 represents the net assets of Cryovac.

(6) EBIT is defined as earnings before interest expense and provisions for income taxes.

(7) EBITDA is defined as EBIT plus depreciation, goodwill amortization and amortization of other intangible assets. EBITDA is a frequently used measure of a company's ability to generate cash to service its obligations, including debt service obligations, and to finance capital and other expenditures. EBITDA does 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 an indicator of the Company's performance.

Management's Discussion and Analysis of Results of Operations and Financial Condition

Results of Operations

Discussion and Analysis of Operating Results

Net Sales

The Company's net sales in 2001 were essentially even compared with 2000 and increased 5% in 2000 compared with 1999.

Net sales in 2001 were essentially even 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. Excluding the negative effect of foreign currency translation, net sales would have increased 2% compared to 2000.

The increase in net sales in 2000 was due primarily to higher unit volume, the added net sales of several acquired businesses and higher average selling prices for certain of the Company's products. Excluding the negative effect of foreign currency translation, net sales would have increased 9% compared to 1999.

Foreign currency translation had an unfavorable impact on net sales in 2001 of approximately $75,000,000, primarily due to the continued weakness of foreign currencies in the Asia-Pacific region, Europe and Latin America compared with the U.S. dollar. Foreign currency translation had an unfavorable impact on net sales in 2000 of approximately $116,000,000 primarily due to the weakness of foreign currencies compared with the U.S. dollar in Europe and, to a lesser extent, the Asia-Pacific region.

Net sales from North American operations in 2001 decreased slightly compared to 2000 and increased 6% in 2000 compared to 1999. The decrease in 2001 was primarily due to lower unit volume for certain products, partially offset by the added net sales of acquired businesses. The increase in 2000 was primarily due to increased unit volume, higher average selling prices for certain products and the added net sales of several acquired businesses. Substantially all of the North American net sales for each year represent net sales from the United States.

Net sales from foreign operations represented approximately 42% of net sales in 2001 and 2000, and 43% of net sales in 1999. Net sales from foreign operations increased 1% in 2001 and 2% in 2000. The increase in 2001 was due primarily to the added net sales of acquired businesses, partially offset by the negative effect of foreign currency translation. Excluding the negative effect of foreign currency translation, net sales from foreign operations would have increased 6% compared to 2000. The increase in 2000 was primarily due to increased unit volume, the added net sales of several small acquired businesses and, to a lesser extent, higher average selling prices for certain products partially offset by the negative impact of foreign currency translation, principally in Europe. Excluding the negative impact of foreign currency translation, net sales from foreign operations would have increased 12% in 2000.

Net sales of the Company's food packaging segment, which consists primarily of Cryovac® food packaging products, constituted 61% of net sales in 2001, 60% in 2000 and 61% in 1999. The balance of the net sales was comprised of products in the Company's protective and specialty packaging segment, which consists primarily of Instapak® chemicals and equipment, shrink films for non-food applications and related equipment, Bubble Wrap® cushioning, polyethylene foam packaging products, and Jiffy® protective and durable mailers and bags.

Net sales of food packaging products increased 2% in 2001 and 3% in 2000. 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 the negative effect of foreign currency translation. The food packaging segment, which experienced disruptions earlier in 2001 due to reductions in meat supply caused by the 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, continued to improve in the third and fourth quarters of 2001, as supply and consumption returned to more normal levels. Excluding the negative effect of foreign currency translation, net sales would have increased 5%. The increase in 2000 was due to higher unit volume, the added net sales of several acquired businesses and higher average selling prices for certain of this segment's products, partially offset by the negative effect of foreign currency translation. Excluding the negative effect of foreign currency translation, net sales would have increased 7%.

Among the major classes of products in the food packaging segment, net sales of flexible packaging materials and related equipment remained flat in 2001 and increased modestly in 2000. Net sales in 2001 were flat 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 the negative effect of foreign currency translation. Excluding the negative effect of foreign currency translation, net sales of flexible packaging materials and related equipment would have increased 2% in 2001. The increase in 2000 was due primarily to higher unit volume and, to a lesser extent, higher average selling prices for certain flexible packaging materials, which were offset by the negative effect of foreign currency translation. Excluding the negative effect of foreign currency translation, net sales of flexible packaging materials and related equipment would have increased 5% in 2000. Net sales of rigid packaging and absorbent products increased 21% in 2001 and 27% in 2000. The increase in 2001 was primarily due to the added net sales of Dolphin Packaging plc, which was acquired in 2000, and other small businesses, and to a lesser extent, higher unit volume for certain products, partially offset by the negative effect of foreign currency translation. Excluding the negative effect of foreign currency translation, net sales of rigid packaging and absorbent products would have increased 23% in 2001. The increase in 2000 was due primarily to the added net sales of Dolphin

Packaging plc and other small businesses following their acquisitions, higher unit volume and higher average selling prices for certain products, partially offset by the negative effect of foreign currency translation. Excluding the negative effect of foreign currency translation, net sales of rigid packaging and absorbent products would have increased 30% in 2000.

Net sales of protective and specialty packaging products decreased 4% in 2001 but increased 7% in 2000. The decrease in 2001 was due primarily to lower unit volume for certain products due to the recessionary environment and, to a lesser extent, the negative effect of foreign currency translation, partially offset by the added net sales of acquired businesses. Excluding the negative effect of foreign currency translation, net sales would have decreased 2%. The increase in 2000 was due primarily to higher unit volume, the added net sales of several small acquired businesses and certain higher average selling prices for certain of the segment's products, partially offset by the negative effect of foreign currency translation. Excluding the negative effect of foreign currency translation, net sales would have increased 10% in 2000.

Costs and Margins

Gross profit as a percentage of net sales was 32.3% in 2001, 33.7% in 2000 and 35.1% in 1999. The decrease in 2001 gross profit as a percentage of net sales 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. The decrease in 2000 gross profit as a percentage of net sales was primarily due to higher raw material prices and energy-related costs.

Marketing, administrative and development expenses declined 1% in 2001 and 2% in 2000. The decline in 2001 and 2000 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 16.7% in 2001, 16.8% in 2000 and 18.0% in 1999.

Goodwill amortization increased in 2001 and 2000 due to acquisitions. Beginning January 1, 2002, in accordance with Statement of Financial Accounting Standards ("SFAS") No. 142, the Company is no longer recording amortization expense related to goodwill. See below under "Recently Issued Statements of Financial Accounting Standards" for a discussion of this new standard.

In 2001, the Company incurred restructuring and other charges of $32,805,000. See below for a discussion of these charges. In 2000, the Company reversed $1,247,000 of its accruals related to a 1998 restructuring program and recognized a restructuring credit, as costs of that program were slightly less than originally anticipated.

Operating profit decreased 17% in 2001 but increased 4% in 2000 compared with the prior year. The decrease in 2001 was primarily due to restructuring and other charges and the lower gross profit discussed above. The increase in 2000 was due to an increase in net sales in 2000 and the changes in costs and expenses discussed above. The food packaging segment contributed 58%, 54% and 55% of the Company's operating profit in 2001, 2000 and 1999, respectively, before taking into consideration corporate operating expenses (consisting primarily of goodwill amortization and restructuring and other charges). The Company's protective and specialty packaging segment contributed the balance of operating profit. As a percentage of net sales, operating profit for the Company was 12.6% in 2001, 15.3% in 2000 and 15.4% in 1999. Before deducting restructuring and other charges, operating profit as a percent of net sales was 13.7% in 2001.

Interest expense increased over the prior year in both 2001 and 2000. 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. The increase in 2000 was due to the additional borrowings noted above and to higher weighted average interest rates.

Other income (expense), net, was expense of $13,541,000 in 2001, income of $9,479,000 in 2000 and income of $1,587,000 in 1999. The 2001 expense was primarily due to the payment of approximately $8,000,000 related to the Company's guarantee, entered into at the time of the Cryovac Transaction (defined below), of certain debt payable by W. R. Grace & Co. - Conn., a subsidiary of New Grace (defined below), which subsidiary filed for reorganization along with New Grace under Chapter 11 of the U.S. bankruptcy code on April 2, 2001. The 2000 other income was primarily due to a one-time cash fee of $10,000,000 received from a third party for the assignment of a contract. The change in 2000 compared with 1999 primarily represents foreign currency exchange losses and the inclusion of the one-time cash fee income of $10,000,000 as discussed above.

The Company's effective income tax rates were 47.3%, 45.5% and 46.6% in 2001, 2000 and 1999, respectively. These effective tax rates were higher than statutory rates due primarily to the non-deductibility of certain goodwill amortization. The effective rate in 2001 was higher than 2000 due primarily to lower earnings before income taxes. The effective tax rate in 2000 was lower than the 1999 effective tax rate primarily due to a decline in tax rates in certain countries. The Company expects that its effective tax rate will decrease as a result of its implementation of SFAS No. 142. See below under "Recently Issued Statements of Financial Accounting Standards" for a discussion of this new standard.

Net Earnings

As a result of the above, net earnings decreased 30% to $156,697,000 in 2001 compared to $225,319,000 in 2000. Net earnings increased 7% to $225,319,000 in 2000 compared to $211,461,000 in 1999, primarily resulting from the Company's higher operating profit in 2000.

Basic earnings per common share were $1.30 for 2001, $2.47 for 2000 and $1.69

for 1999. Diluted earnings per common share were $1.22 for 2001, $1.93 for 2000 and $1.68 for 1999. The basic earnings per common share calculations for 2001, 2000 and 1999 include a per share gain (excess of book value over repurchase price of preferred stock) of $0.09, $0.54 and $0.02, respectively, attributable to repurchases of preferred stock in each of the periods. To calculate diluted earnings per common share, the excess of book value over the repurchase price of the Company's Series A Preferred Stock of $7,456,000, $45,283,000 and $1,568,000 in 2001, 2000 and 1999, respectively, is 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 is not considered in the calculations of diluted earnings per common share for any of the periods presented because the effect would be antidilutive and such assumed conversions are included only if the resulting impact would dilute earnings per common share.

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, the Company announced and began implementing a restructuring program that resulted in charges to operations in the second, third and fourth quarters of 2001. Such charges amounted to $32,805,000 for the year ended December 31, 2001, and included $23,877,000 of employee termination costs, $1,641,000 of facility exit costs and $7,287,000 of long-lived asset impairments. The portion of this restructuring charge related to the Company's food packaging segment amounted to $21,116,000 and the portion applicable to the protective and specialty packaging segment amounted to $11,689,000. The asset impairment amount of $7,287,000 includes write-downs or write-offs of $3,877,000 for property, plant and equipment, $3,342,000 for goodwill, and $68,000 for certain other long-lived assets. These impairments related to decisions to rationalize and realign production of certain small product lines and 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 is expected to be $365,000. Substantially all of the property, plant and equipment has either been disposed of or is held for disposition. The remaining carrying value as of December 31, 2001 of assets held for disposition was approximately $745,000 and the effect of suspending depreciation of such assets is immaterial to the consolidated financial statements. The Company expects to incur $25,518,000 of cash outlays to carry out the restructuring program, of which approximately $5,821,000 was paid in 2001. These cash outlays include primarily severance and other personnel-related costs and the costs of terminating lease and other contractual arrangements. In connection with the restructuring, the Company is eliminating approximately 793 positions. However, with the prospective addition of approximately 323 jobs in connection with the Company's realignment or relocation of certain manufacturing activities, the net reduction in headcount positions is expected to be approximately 470. These 793 positions are from all geographic areas in which the Company does business but are primarily involved in the Company's manufacturing and sales and marketing functions in North America and Europe. Through December 31, 2001, 220 of the 793 positions have been eliminated, and the remaining restructuring actions accrued in 2001, including the disposition of impaired assets, are expected to be substantially completed during 2002, although certain cash outlays are expected to continue into future years.

The Company anticipates annual cost savings from this restructuring program of approximately $23,000,000. The cost savings are estimated to be realized at their full year run rate by the end of 2002, once all restructuring actions have been completed, and include the non-cash annual reduction of depreciation expense as a result of the asset impairments discussed above.

Liquidity and Capital Resources

The Company's principal sources of liquidity are cash flow from operations and amounts available under the Company's existing lines of credit, which include the Company's principal revolving credit agreements mentioned below and various committed and uncommitted lines of credit maintained primarily with respect to the Company's foreign operations. In addition, during 2001, the Company and certain of its U.S. subsidiaries entered into a facility, referred to below as the "Receivables Facility," under which interests in up to $125,000,000 of eligible accounts receivable generated by certain of the Company's U.S. subsidiaries may be sold to a bank and a commercial paper issuer administered by that bank.

Operating Activities

Net cash provided by operating activities amounted to $578,693,000 in 2001, $329,413,000 in 2000 and $430,354,000 in 1999. The increase in 2001 was primarily due to changes in operating assets and liabilities in the ordinary course of business, as discussed below under "Changes In Working Capital", and

$95,600,000 of receivables interests sold under the Receivables Facility, partially offset by the Company's lower net earnings in 2001. The decrease in net cash provided by operating activities in 2000 compared to 1999 was primarily due to changes in operating assets and liabilities in the ordinary course of business partially offset by an increase in net earnings.

Investing Activities

Net cash used in investing activities amounted to $177,932,000 in 2001, $348,989,000 in 2000 and $97,285,000 in 1999. In each year, investing activities consisted primarily of capital expenditures and acquisitions. The decrease in net cash used in these activities in 2001 was due

to a lower level of acquisition activity, partially offset by a higher level of capital expenditures. The increase in net cash used in investing activities in 2000 compared to 1999 was primarily due to the higher level of capital expenditures and a higher level of acquisition activity. In 2001, cash used to complete acquisitions was $36,007,000. In 2000, the Company used $237,541,000 of cash to complete acquisitions compared to $25,811,000 in 1999. In each year, cash used for acquisitions was net of cash acquired in those acquisitions. The Company acquired approximately $8,589,000 of cash in acquisitions in 2000. Cash acquired in acquisitions was not material in 1999 or 2001.

Capital Expenditures

Capital expenditures were $146,277,000 in 2001, $114,197,000 in 2000 and $75,080,000 in 1999. Capital expenditures for the Company's food packaging segment amounted to $103,837,000, $75,773,000 and $51,307,000 and for the protective and specialty packaging segment amounted to $42,440,000, $38,424,000 and $23,773,000 in 2001, 2000 and 1999, respectively. There were no corporate capital expenditures in 2001, 2000 or 1999. The changes in capital expenditures in each year were primarily due to the management of capital planning and project spending. The Company currently anticipates that capital expenditures in 2002 will be in the range of $125,000,000 to $150,000,000.

Financing Activities

Net cash used in financing activities amounted to $402,583,000 in 2001, while net cash provided by financing activities amounted to $7,671,000 in 2000. Net cash used in financing activities amounted to $367,183,000 in 1999.

The increase in net cash used in financing activities in 2001 primarily reflected net debt repayments of $312,907,000 and a timing difference relating to the payment of dividends on the Company's outstanding Series A convertible preferred stock, partially offset by a decrease in cash used to purchase the Company's capital stock. Such timing difference 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 currently expects to fund any dividends payable on such preferred stock in 2002 on their payment dates, which, once declared, are the first business day of each calendar quarter. As a result the Company expects that it will not use any cash in the first quarter of 2002 to pay the preferred stock dividend that is payable on April 1, 2002.

Proceeds from long-term debt in 2001 include $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") under Rule 144A and Regulation S of the Securities Act of 1933, as amended. The net proceeds from the issuance of these Notes were used to refinance a portion of the borrowings under the 2003 Facility described below. These Notes were priced at 98.591% to yield 9.025%. Accrued interest on these Notes is payable semi-annually on January 1 and July 1 of each year, with the first payment in January 2002.

The increase in net cash provided by financing activities in 2000 was primarily due to net borrowings of $420,869,000 in 2000 compared to net debt repayments of $256,262,000 in 1999, partially offset by an increase in 2000 in purchases of the Company's capital stock. The net borrowings were incurred primarily to finance a portion of the cost of acquisitions and repurchases of shares of the Company's capital stock. The net cash used in 1999 was used primarily to repay outstanding debt, primarily under the Company's principal revolving credit agreements, to pay dividends on the Company's outstanding preferred stock and to repurchase shares of the Company's capital stock. The proceeds of long-term debt in 1999 included net proceeds of $500,491,000 from the issuance of the Euro Notes and the 6.95% Senior Notes, mentioned below, which were used to refinance debt under the Company's principal revolving credit agreements.

Repurchases of Capital Stock

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. During 1999, the Company repurchased 582,400 shares of its preferred stock and 251,000 shares of its common stock at a cost of approximately $27,552,000 and $14,189,000, respectively.

All such purchases were made pursuant to a share repurchase program adopted by the Company's Board of Directors. As of December 31, 2001, the total number of common and preferred shares authorized to be repurchased under this program amounted to the equivalent of approximately 16,977,000 shares of common stock on an as-converted basis, of which approximately 8,928,000 had been repurchased, leaving the equivalent of approximately 8,049,000 shares of common stock on an as-converted basis available for repurchase under the program.

Changes in Working Capital

At December 31, 2001, the Company had working capital of $149,372,000, or 4% of total assets, compared to working capital of $202,512,000, or 5% of total assets, at December 31, 2000. The decline in working capital in 2001 was primarily due to a decrease in notes and accounts receivable and in inventory and an increase in other current liabilities, partially offset by a decrease in short-term borrowings. The approximate $131,000,000 decrease in receivables was primarily due to the $95,600,000 of receivables interests sold in December 2001 under the Receivables Facility described below and also reflected the timing of payments made by customers. The decrease in inventory was primarily due to the decline in certain raw material costs and lower on-hand inventory quantities resulting from the Company's improvements in inventory management. The increase in other current liabilities was primarily due to an increase in income taxes payable and an increase in accrued restructuring costs, which are discussed above. The decrease in short-term borrowings was primarily due to repayments of amounts outstanding under the 364-Day Facility.

Current and Quick Ratios

The ratio of current assets to current liabilities (current ratio) was 1.2 at December 31, 2001 and 1.3 at December 31, 2000. The ratio of current assets less inventory to current liabilities (quick ratio) was 0.8 at December 31, 2001 and 0.9 at December 31, 2000.

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 and an issuer of commercial paper administered by that 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 indirect wholly-owned subsidiary of the Company that was formed for the sole purpose of entering into the Receivables Facility. SA Funding Corp. in turn sells an undivided ownership interest in these receivables to the ICP or the bank, subject to certain conditions, up to a maximum of $125,000,000 of undivided ownership interests outstanding from time to time.

SA Funding Corp. retains the receivables it purchases from the Originators, except those as to which interests are sold by it to the ICP or the bank. Sales of accounts receivable by the Originators to SA Funding Corp. and sales of interests from SA Funding Corp. to the ICP and the bank 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 ICP and the bank 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 ICP and the bank. Prior to a termination event under the Receivables Facility, collections of receivables not otherwise required to be paid to the ICP or the bank 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, although the bank's commitment to make purchases of receivables interests from SA Funding Corp. expires on December 7, 2002 and is subject to annual renewal with the agreement of the parties. Under certain limited circumstances, none of which had occurred at December 31, 2001, the ICP and the bank can terminate purchases of interests in eligible accounts receivable prior to these dates. The events that could result in termination include a downgrading by either of the two leading credit rating agencies 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"). The Receivables Facility provides for the payment from time to time of program fees (currently 0.375% per annum) on the receivables interests sold by SA Funding Corp. and commitment fees (currently 0.325% per annum) on the unused portion of the $125,000,000 Receivables Facility.

In December 2001, the Originators sold approximately $176,900,000 of their eligible U.S. accounts receivable to SA Funding Corp. SA Funding Corp. in turn sold an undivided ownership interest in $95,600,000 of such receivables under the Receivables Facility, and this amount has been 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 are 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 statement of earnings for the year ended December 31, 2001. These costs primarily relate to the loss on the sale of the interests in receivables to the ICP or the bank, which was approximately $75,000, and program and commitment fees and other associated costs, which were approximately $343,000.

Outstanding Indebtedness

At December 31, 2001 and December 31, 2000, the Company's total debt outstanding consisted of the amounts set forth on the following table (amounts in thousands of dollars):

	December 31, 2001	December 31, 2000
Short-term borrowings and current portion of long-term debt:		
364-Day Revolving Credit Agreements	$ —	$ 127,885
Other short-term borrowings	135,548	162,543
Current portion of long-term debt	1,943	1,418
Total current debt	137,491	291,846
Long-term debt, less current portion:		
Revolving Credit Agreement due March 2003	7,539	456,263
5.625% Euro Notes due July 2006, less discount of $844 and $1,056 in 2001 and 2000, respectively	175,666	185,145
8.75% Senior Notes due July 2008, less discount of $3,999	296,001	—
6.95% Senior Notes due May 2009, less discount of $1,736 and $1,909 in 2001 and 2000, respectively	298,264	298,091
Other	10,641	4,954

Total long-term debt, less current portion	788,111	944,453
Total debt	$ 925,602	$ 1,236,299

During 2001, the Company paid down $154,355,000 of its current debt and $156,342,000 of its long-term debt. These repayments and the financing transactions discussed below permitted the Company to eliminate all borrowings under the Company's 364-day revolving credit agreements, pay down all but $7,539,000 of the amounts outstanding under the revolving credit agreement due March 30, 2003 (the "2003 Facility"), and reduced amounts due under various short-term lines of credit maintained by various of its subsidiaries. These payments were made from operating cash flows, the net proceeds of the 8.75% Senior Notes and the sale of eligible receivables under the Receivables Facility. The issuance of the 8.75% Senior Notes also lengthened the Company's average debt maturities.

Substantially all of the Company's short-term borrowings of $135,548,000 at December 31, 2001 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, 2001 were approximately $326,000,000 of which approximately $190,000,000 were unused.

At December 31, 2001, the Company had available committed and uncommitted lines of credit of approximately $1,046,000,000 of which approximately $903,000,000 was unused. Such credit lines include amounts available under the 364-Day Facility, the 2003 Facility and the other lines of credit available to the Company's subsidiaries.

The 2003 Facility, which is a multi-year $525,000,000 credit facility, and a 364-day $194,375,000 revolving credit facility that expires on March 22, 2002 (the "364-Day Facility") are the Company's principal revolving credit facilities. The borrowings of $127,885,000 shown in the table above under the caption "364-Day Revolving Credit Agreements" at December 31, 2000 were borrowings under a previous 364-day revolving credit facility that the Company replaced with the 364-Day Facility on March 23, 2001. The Company had not utilized the 364-Day Facility as of December 31, 2001.

The Company believes that it is not necessary to renew or replace the 364-Day Facility when it expires. Therefore, the Company does not plan to renew this credit facility or to replace it with another facility when it expires. The Company currently expects to replace the 2003 Facility prior to its expiration. However, the Company currently believes that the replacement of this credit facility is not required to enable the Company to meet its currently anticipated liquidity requirements.

The 364-Day Facility and the 2003 Facility provide that the Company and certain of its subsidiaries may borrow for various purposes, 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 these credit facilities may be re-borrowed from time to time prior to the expiration or earlier termination of the facilities. As of December 31, 2001, facility fees were payable at the rates of 0.125% per annum under the 2003 Facility and 0.300% per annum under the 364-Day Facility on the total amounts available under each of these credit facilities.

The obligations under these credit facilities 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 and the Company's 364-day facilities was approximately 4.2% at December 31, 2001 and 7.0% at December 31, 2000.

The 2003 Facility and the 364-Day Facility provide for changes in borrowing margins based on the Company's long-term senior unsecured debt ratings and, in addition, with respect to the 2003 Facility, certain financial criteria. The 2003 Facility and 364-Day 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. The Company and its subsidiaries were in compliance with these requirements as of 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 (stable outlook) 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.

The following table summarizes the Company's material contractual cash obligations at December 31, 2001, relating to corporate finance requiring cash outlays in 2002 and future years (amounts in thousands of dollars):

	Payments Due by Period				
	Total	**2002**	**2003-2004**	**2005-2006**	**Thereafter**
Short-term borrowings	$ 135,548	$ 135,548	$ —	$ —	$ —
Current portion of long-term debt	1,943	1,943	—	—	—
Long-term debt, exclusive of debt discounts	794,690	—	11,422	179,624	603,644
Total debt	932,181	137,491	11,422	179,624	603,644
Series A convertible preferred stock(1)	2,254,153	54,646	109,292	109,292	1,980,923
Operating leases	71,560	20,925	27,274	13,943	9,418
Total contractual cash obligations	$ 3,257,894	$ 213,062	$ 147,988	$ 302,859	$ 2,593,985

(1) Assumes dividends are declared and paid each quarter until March 31, 2018, based on shares outstanding at December 31, 2001.

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 lease obligations listed in the table above represent estimated future minimum annual rental commitments under noncancelable real property leases as of December 31, 2001. The long-term debt shown in the above table excludes unamortized bond discounts as of December 31, 2001 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 per share, plus any accrued and unpaid dividends, to the extent these shares remain outstanding. These shares receive a 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.

Derivative Financial Instruments

At December 31, 2001 and December 31, 2000 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 below under "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 share of common stock for each share of preferred stock. These shares vote with the common stock on an as-converted basis and receive a cash dividend, as declared by the Board of Directors, at an annual rate of $2.00 per share, payable quarterly in arrears. Subject to conditions (which had not been met as of December 31, 2001) set forth in the Company's Certificate of Incorporation, as amended, the Series A preferred stock is redeemable at the option of the Company. Under the Company's Certificate of Incorporation, as amended, the Series A preferred stock is redeemable at the option of the Company on or after March 31, 2003

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without regard to these conditions. The Series A preferred stock is also subject to mandatory redemption on March 31, 2018 at $50 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 $850,152,000 at December 31, 2001, $753,129,000 at December 31, 2000 and $551,030,000 at December 31, 1999. Shareholders' equity increased in 2001 and 2000 due to the Company's net earnings of $156,697,000 and $225,319,000, and the excess of book value over repurchase price recognized in connection with the preferred stock repurchases of $7,456,000 and $45,283,000, which were partially offset by preferred stock dividends of $55,024,000 and $64,266,000, and by additional foreign currency translation adjustments of $19,931,000 and $16,258,000, respectively, in such years.

Other Matters

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

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, 2001, the carrying value of the Company's total debt was $925,602,000 of which $782,517,000 was fixed rate debt. At December 31, 2000, the carrying value of the Company's total debt was $1,236,299,000 of which $489,607,000 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 $889,434,000 at December 31, 2001 compared to $1,159,250,000 at December 31, 2000. A hypothetical 10% decrease in interest rates would result in an increase in the fair value of the total debt balance at December 31, 2001 of approximately $27,100,000.

From time to time, the Company uses interest rate swaps and interest rate collars to manage its exposure to fluctuations in interest rates. At December 31, 2001, the Company was not party to any interest rate swaps or interest rate collar agreements. At December 31, 2000, the Company had no such agreements except for an interest rate collar agreement with an aggregate notional amount of approximately $8,000,000 related to a foreign subsidiary's floating rate indebtedness, which matured in June 2001.

Foreign Exchange Rates

The Company uses interest rate and currency swaps from time to time to limit foreign exchange exposure and limit or adjust interest rate exposure by swapping certain borrowings in U.S. dollars for borrowings denominated in foreign currencies. At December 31, 2001 and December 31, 2000, the Company had no 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, 2001 and December 31, 2000, the Company had foreign currency forward contracts with an aggregate notional amount of approximately $266,902,000 and $13,800,000, respectively. The estimated fair value of these contracts, which represents the estimated net payment that would be received by the Company in the event of termination of these contracts based on the then current foreign exchange rates, was approximately $313,000 at December 31, 2001 compared to $253,000 at December 31, 2000. A hypothetical 10% adverse change in foreign exchange rates at December 31, 2001 would have caused the Company to pay approximately $26,231,000 to terminate these contracts.

The Company's foreign subsidiaries had outstanding debt of approximately $321,690,000 and $511,859,000 at December 31, 2001 and 2000, 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 process. 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 related to these components.

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.

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 reached conclusions adverse to the Company, such determination could have 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 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. The Company believes that New Grace's filing for reorganization may provide a single forum in which all such claims might be resolved.

Committees appointed in New Grace's bankruptcy case have sought the court's permission to pursue fraudulent transfer claims against the Company 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 February 2002, the court indicated that the issues of the solvency of Grace following the Fresenius transaction and the solvency of New Grace following the Cryovac Transaction and whether the transferor received reasonably equivalent value in such transactions would be tried on behalf of all creditors of New Grace starting on September 30, 2002 and designated a firm to prosecute that action. The Company believes that the Cryovac Transaction was not a fraudulent transfer and the Company intends to defend its interests vigorously.

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 contends that the Company is obligated to indemnify Fresenius for certain liabilities that Fresenius may incur as a result of the 1996 Fresenius transaction mentioned above. Fresenius's contention is based on its interpretation of the agreements between Fresenius and such New Grace subsidiary 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 believes that it is not responsible to indemnify Fresenius under the 1996 agreements and has filed the action in order to proceed to a resolution of Fresenius's claims. However, if the court were to rule against the Company and if Fresenius were to incur a material liability subject to an indemnification obligation, then the outcome of the action could have a material adverse effect on the Company's consolidated results of operations and financial position. The action is in its early stages, and Fresenius has not yet responded to the complaint.

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.

Under accounting principles generally accepted in the United States of America, an accrual for a contingent liability is appropriate only if it is probable that a liability has been incurred and if the amount of the liability can be reasonably estimated. The Company does not believe that these conditions have been met with respect to the claims against the Company related to the alleged asbestos liabilities, the fraudulent transfer claims or the Fresenius indemnification matter, all of which are described above. Accordingly, the Company has not made any accrual for these matters as of December 31, 2001.

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, less certain amounts that the Company is responsible for under the Transaction Agreements. Costs and liabilities for which the Company intends to seek indemnification by New Grace will include certain defense costs related to asbestos and fraudulent transfer litigation and the Fresenius claims, the guaranteed debt paid by the Company described under "Costs and Margins" above, any recovery by the creditors of New Grace if the Company were not successful in defending against the fraudulent transfer or asbestos claims described above, any recovery by Fresenius if the Company were held liable to indemnify Fresenius and Fresenius were to incur an indemnifiable liability, or any of the other potential claims against the Company mentioned above. 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 or the amount of the Company's recovery, 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 and/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) and/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.

Euro Conversion

The Company's subsidiaries within the twelve participating countries of the European Union converted the base currency of their statutory accounting data to euros as of January 1, 2002. The effect on the Company of all strategic and operational issues related to the euro conversion and the cost of implementing the euro conversion did not have a material adverse impact on the Company's consolidated financial condition, results of operations or reportable segments.

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 will require 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. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed of."

The Company adopted the provisions of SFAS No. 141 immediately and adopted SFAS No. 142 effective January 1, 2002. Any goodwill and any intangible asset 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 in accordance with the appropriate pre-SFAS No. 142 accounting literature. 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 requires the Company to perform an assessment of whether goodwill and other intangible assets were impaired as of January 1, 2002. Because of the uncertainty, necessitated by the extensive effort needed to comply with the adoption of SFAS No. 142, further evaluation is needed to complete the transitional goodwill impairment test provisions of SFAS No. 142. However, the Company believes, based on its preliminary evaluation, that adoption of the new standard should not result in a material transitional impairment charge to the consolidated statement of earnings. The Company is required by this standard to complete the assessment process no later than June 30, 2002 and to record any impairment loss as soon as possible but no later than the end of 2002. Transitional impairment losses, if any, will be recognized as a cumulative effect of a change in accounting principle in the Company's statement of earnings. The Company expects to complete this process as required.

As of December 31, 2001, the Company has unamortized goodwill in the amount of $1,913,000,000 and unamortized identifiable intangible assets in the amount of approximately $23,474,000, all of which will be subject to the transition provisions of SFAS Nos. 141 and 142. Amortization expense related to goodwill was $57,005,000 and $51,776,000 for years ended December 31, 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 standard 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.

In August 2001, the FASB issued 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 Company expects to adopt this standard beginning January 1, 2003. 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 long-lived assets to be disposed of 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. 143 is not expected to have a material impact on the Company's consolidated financial statements.

Forward-Looking Statements

Certain statements made by the Company in this report 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; acts 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; 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; the magnitude and timing of its capital expenditures; the Company's inventory management proficiency; raw material availability and pricing; production capacity; changes in energy-related expenses; changes in the Company's relationships with customers and suppliers; the effect on the Company of new accounting pronouncements, including the potential impairment of goodwill; the effect on the Company of the bankruptcy filing by New Grace and its subsidiaries; the outcome of litigation relating to the Cryovac Transaction and the Company's responsibility, if any, for the asbestos and other claims asserted against it, including claims involving Fresenius, and other New Grace-related matters; other legal proceedings and claims (including environmental matters) involving the Company; the effects of foot-and-mouth, BSE ("mad-cow") and other diseases on the Company's food packaging customers; changes in domestic or foreign laws or regulations, or governmental or agency actions.

SEALED AIR CORPORATION AND SUBSIDIARIES
Consolidated Statements of Earnings
Years Ended December 31, 2001, 2000 and 1999
(In thousands of dollars, except for per share data)

	2001	2000	1999
Net sales	$ 3,067,482	$ 3,067,714	$ 2,931,853
Cost of sales	2,077,195	2,032,410	1,903,131
Gross profit	990,287	1,035,304	1,028,722
Marketing, administrative and development expenses	513,086	516,312	527,126
Goodwill amortization	57,005	51,776	49,404
Restructuring and other charges (credits)	32,805	(1,247)	—
Operating profit	387,391	468,463	452,192
Interest expense	(76,398)	(64,513)	(58,126)
Other income (expense), net	(13,541)	9,479	1,587
Earnings before income taxes	297,452	413,429	395,653
Income taxes	140,755	188,110	184,192
Net earnings	$ 156,697	$ 225,319	$ 211,461
Add: Excess of book value over repurchase price of	7,456	45,283	1,568

Series A convertible preferred stock						
Less: Series A convertible preferred stock dividends		55,024		64,266		71,422
Net earnings ascribed to common shareholders	$	109,129	$	206,336	$	141,607
Earnings per common share:						
Basic	$	1.30	$	2.47	$	1.69
Diluted	$	1.22	$	1.93	$	1.68

See accompanying Notes to Consolidated Financial Statements.

SEALED AIR CORPORATION AND SUBSIDIARIES
Consolidated Balance Sheets
December 31, 2001 and 2000
(In thousands of dollars, except share data)

		2001		2000
Assets				
Current assets:				
Cash and cash equivalents	$	13,805	$	11,229
Notes and accounts receivable, net of allowances for doubtful accounts of $25,424 in 2001 and $21,171 in 2000		418,161		548,719
Inventories		288,570		309,116
Prepaid expenses and other current assets		10,172		8,136
Deferred income taxes		45,644		42,664
Total current assets		776,352		919,864
Property and equipment, net		1,050,438		1,032,141
Goodwill, less accumulated amortization of $191,369 in 2001 and $135,240 in 2000		1,913,000		1,959,909
Deferred income taxes		5,686		7,367
Other assets		162,433		171,601
Total Assets	$	3,907,909	$	4,090,882
Liabilities, Preferred Stock and Shareholders' Equity				
Current liabilities:				
Short-term borrowings	$	135,548	$	290,428
Current portion of long-term debt		1,943		1,418
Accounts payable		135,533		140,532
Deferred income taxes		5,097		4,818
Other current liabilities		348,859		280,156
Total current liabilities		626,980		717,352
Long-term debt, less current portion		788,111		944,453
Deferred income taxes		210,830		210,581
Other liabilities		65,682		72,994
Total Liabilities		1,691,603		1,945,380
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 2001 and 28,289,714 shares in 2000, outstanding 27,323,084 shares in 2001 and 27,847,462 shares in 2000, mandatory redemption in 2018		1,366,154		1,392,373
Shareholders' equity:				
Common stock, $.10 par value per share. Authorized 400,000,000 shares; issued 84,494,504 shares in 2001 and 84,352,492 shares in 2000		8,449		8,435
Additional paid-in capital		699,088		689,084
Retained earnings		394,799		293,126
Accumulated translation adjustment		(207,710)		(187,779)
		894,626		802,866
Less: Deferred compensation		10,973		17,073
Less: Cost of treasury common stock, 717,615 shares in 2001 and 706,265 shares in 2000		31,133		31,143
Less: Unrecognized loss on derivative instruments		131		—

Less: Minimum pension liability	2,237	1,521
Total Shareholders' Equity	850,152	753,129
Total Liabilities, Preferred Stock and Shareholders' Equity	$ 3,907,909	$ 4,090,882

See accompanying Notes to Consolidated Financial Statements.

SEALED AIR CORPORATION AND SUBSIDIARIES
Consolidated Statements of Equity
Years Ended December 31, 2001, 2000 and 1999
(In thousands of dollars)

						Other Comprehensive Income			
	Common Stock	**Additional Paid-In Capital**	**Retained Earnings (Deficit)**	**Deferred Compensation**	**Treasury Common Stock**	**Accumulated Translation Adjustment**	**Unrecognized Loss on Derivative Instruments**	**Minimum Pension Liability**	**Total**
Balance at December 31, 1998	$ 8,380	$ 610,505	$ (7,966)	$ (28,683)	$ (17,234)	$ (124,843)	$ —	$ (3,114)	$ 437,045
Effect of contingent stock transactions, net	25	12,718	—	4,172	(16)	—	—	—	16,899
Shares issued for non-cash compensation	1	5,107	—	—	7,787	—	—	—	12,895
Exercise of stock options	6	2,023	—	—	—	—	—	—	2,029
Purchase of preferred stock	—	1,568	—	—	—	—	—	—	1,568
Conversion of preferred stock	1	309	—	—	—	—	—	—	310
Purchase of common stock	—	—	—	—	(14,189)	—	—	—	(14,189)
FAS 87 pension adjustment	—	—	—	—	—	—	—	1,112	1,112
Foreign currency translation	—	—	—	—	—	(46,678)	—	—	(46,678)
Net earnings	—	—	211,461	—	—	—	—	—	211,461
Dividends on preferred stock	—	—	(71,422)	—	—	—	—	—	(71,422)
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)
Net change in 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

See accompanying Notes to Consolidated Financial Statements.

SEALED AIR CORPORATION AND SUBSIDIARIES
Consolidated Statements of Cash Flows
Years Ended December 31, 2001, 2000 and 1999
(In thousands of dollars)

	2001	**2000**	**1999**
Cash flows from operating activities:			
Net earnings	$ 156,697	$ 225,319	$ 211,461
Adjustments to reconcile net earnings to net cash provided by operating activities:			

Depreciation and amortization of property and equipment	141,665	140,795	146,549
Goodwill and other amortization	78,951	78,846	76,850
Amortization of bond discount	561	318	169
Non-cash portion of restructuring and other charges	7,287	(1,247)	—
Deferred tax provisions	(9,083)	20,361	19,358
Net (gain) loss on disposals of property and equipment	(237)	594	149
Amounts sold under the Receivables Facility	95,600	—	—
Changes in operating assets and liabilities, net of businesses acquired:			
Notes and accounts receivable, net of sale	27,089	(41,316)	(36,439)
Inventories	16,531	(54,710)	21,229
Other current assets	(1,718)	3,432	670
Other assets	(3,918)	(12,645)	2,041
Accounts payable	(5,656)	(17,109)	(1,039)
Income taxes payable	35,711	966	(16,491)
Other current liabilities	40,279	(8,632)	6,610
Other liabilities	(1,066)	(5,559)	(763)
Net cash provided by operating activities	578,693	329,413	430,354
Cash flows from investing activities:			
Capital expenditures for property and equipment	(146,277)	(114,197)	(75,080)
Proceeds from sales of property and equipment	4,352	2,749	3,606
Businesses acquired in purchase transactions, net of cash acquired	(36,007)	(237,541)	(25,811)
Net cash used in investing activities	(177,932)	(348,989)	(97,285)
Cash flows from financing activities:			
Proceeds from long-term debt	482,351	661,048	572,831
Payment of long-term debt	(631,502)	(369,661)	(903,941)
Payment of senior debt issuance costs	(2,241)	—	(3,412)
Net (payments of) proceeds from short-term borrowings	(163,756)	129,482	74,848
Purchases of treasury common stock	—	(22,873)	(14,189)
Purchases of preferred stock	(18,754)	(323,948)	(27,552)
Dividends paid on preferred stock	(69,185)	(67,880)	(71,616)
Proceeds from stock option exercises and other	504	1,503	5,848
Net cash (used in) provided by financing activities	(402,583)	7,671	(367,183)
Effect of exchange rate changes on cash and cash equivalents	4,398	9,462	2,800
Cash and cash equivalents:			
Net change during the period	2,576	(2,443)	(31,314)
Balance, beginning of period	11,229	13,672	44,986
Balance, end of period	$ 13,805	$ 11,229	$ 13,672

See accompanying Notes to Consolidated Financial Statements.

SEALED AIR CORPORATION AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income
Years Ended December 31, 2001, 2000 and 1999
(In thousands of dollars)

	2001	2000	1999
Net earnings	$ 156,697	$ 225,319	$ 211,461
Other comprehensive income (loss):			
Minimum pension liability, net of an income tax (benefit) charge of $(477), $326 and $1,020, in 2001, 2000 and 1999, respectively	(716)	481	1,112
Unrecognized loss on derivative instruments, net of income tax benefit of $79 in 2001	(131)	—	—
Foreign currency translation adjustments	(19,931)	(16,258)	(46,678)
Comprehensive income	$ 135,919	$ 209,542	$ 165,895

See accompanying Notes to Consolidated Financial Statements.

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 collectability of accounts receivable, the use and recoverability of inventory, the realization of deferred tax assets, useful lives 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

Revenue is recognized upon shipment of goods, including systems, to customers.

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.

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 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 Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities" as amended by SFAS No. 137 and SFAS No. 138 ("SFAS 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 earnings at which time such gains and losses are recognized in the consolidated statement of earnings. 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 earnings.

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 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 earnings 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 earnings.

The Company recorded the 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 indirect wholly-owned subsidiary of the Company that was formed for the sole purpose of entering into an accounts receivable securitization program. This indirect 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. The indirect 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 issuer of commercial paper or the bank. The undivided ownership interest amounts sold are removed from the Company's consolidated balance sheets at such 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 earnings.

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 are removed from the accounts, and any resulting gain or loss is recognized when the assets are disposed.

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 Other Intangible Assets

Goodwill is amortized on a straight-line basis principally over a 40-year period. Other 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.

Goodwill and intangible assets resulting from transactions subsequent to June 30, 2001 have been accounted for in accordance with SFAS Nos. 141 and 142. See Note 19 for further discussion regarding these new standards.

Impairment of Long-Lived Assets

The Company periodically reviews the carrying value of its long-lived assets including property and equipment, goodwill and other intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be fully 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. The Company considers various valuation factors, principally discounted cash flows, to assess the fair values of long-lived assets. 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. Goodwill and intangible assets resulting from transactions subsequent to June 30, 2001 have been accounted for in accordance with SFAS Nos. 141 and 142. See Note 19 for further discussion regarding these new standards.

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 earnings 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 earnings 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 U.S. income taxes on that portion of its foreign subsidiaries' accumulated earnings that management 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 operating loss and tax credit carryforwards. A valuation allowance is provided when it is more likely than not that all or some portion of the deferred tax asset will not be realized. Deferred tax liabilities and assets at the end of each period are determined using enacted tax rates.

Research and Development

Research and development costs are expensed as incurred and amounted to $55,779, $54,264 and $56,452 in 2001, 2000 and 1999, respectively.

Earnings per Common Share

Basic earnings per common share is calculated by dividing net earnings ascribed to common shareholders by the weighted average common shares outstanding for the period. Net earnings ascribed to common shareholders represents net 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 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 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 specialty products, all of which are used principally for non-food packaging applications.

The Food Packaging segment includes flexible materials and related systems (shrink film and bag 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: 2001 - $1,592,142; 2000 - $1,599,230; and 1999 - - $1,594,073. Net sales of rigid packaging and absorbent pads were: 2001 - $288,139; 2000 - $238,064; and 1999 - $187,347. 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 air cellular cushioning materials, shrink and non-shrink films for non-food applications, polyurethane foam packaging systems sold under the Instapak® trademark, polyethylene foam sheets and planks, a comprehensive line of 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: 2001 - $1,153,123; 2000 - $1,199,059; and 1999 - $1,113,434. Net sales of other products for 2001, 2000 and 1999 were approximately 1% of consolidated net sales. Products in this segment are primarily sold to distributors and manufacturers in a wide variety of industries.

	2001	2000[1]	1999[1]
Net sales			
Food Packaging	$ 1,880,281	$ 1,837,294	$ 1,781,420
Protective and Specialty Packaging	1,187,201	1,230,420	1,150,433
Total	$ 3,067,482	$ 3,067,714	$ 2,931,853
Operating profit			
Food Packaging	$ 287,701	$ 288,880	$ 286,184
Protective and Specialty Packaging	210,982	249,684	237,332
Total segments	498,683	538,564	523,516
Restructuring and other (charges) credits[2]	(32,805)	1,247	—
Corporate operating expenses (including goodwill amortization of $57,005, $51,776 and $49,404 in 2001, 2000 and 1999, respectively)	(78,487)	(71,348)	(71,324)

Total	$ 387,391	$ 468,463	$ 452,192
Depreciation and amortization			
Food Packaging	$ 105,333	$ 108,050	$ 111,253
Protective and Specialty Packaging	57,387	58,954	61,958
Total segments	162,720	167,004	173,211
Corporate (including goodwill and other amortization)	57,896	52,637	50,188
Total	$ 220,616	$ 219,641	$ 223,399

	2001	2000[1]	1999[1]
Capital expenditures			
Food Packaging	$ 103,837	$ 75,773	$ 51,307
Protective and Specialty Packaging	42,440	38,424	23,773
Total segments	146,277	114,197	75,080
Corporate	—	—	—
Total	$ 146,277	$ 114,197	$ 75,080
Assets[3]			
Food Packaging	$ 1,284,080	$ 1,392,172	$ 1,322,177
Protective and Specialty Packaging	704,201	734,303	698,184
Total segments	1,988,281	2,126,475	2,020,361
Corporate (including goodwill, net of $1,913,000, $1,959,909 and $1,859,958 in 2001, 2000 and 1999, respectively)	1,919,628	1,964,407	1,867,222
Total	$ 3,907,909	$ 4,090,882	$ 3,887,583

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

(2) Restructuring and other (charges) credits 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.

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

Geographic Information

	2001	2000	1999
Net sales:[4]			
North America	$ 1,773,664	$ 1,782,026	$ 1,674,198
Europe	775,673	762,271	779,019
Latin America	225,573	225,229	187,110
Asia Pacific	292,572	298,188	291,526
Total	$ 3,067,482	$ 3,067,714	$ 2,931,853
Total long-lived assets:[4]			
North America[5]	$ 2,633,733	$ 2,667,156	$ 2,569,071
Europe	309,211	307,700	281,951
Latin America	63,440	62,120	58,638
Asia Pacific	119,487	126,675	133,855
Total	$ 3,125,871	$ 3,163,651	$ 3,043,515

(4) Net sales attributed to the geographic areas represent trade sales to external customers. Net sales in North America represent substantially net sales in the United States. 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.

(5) Includes goodwill, net, of $1,913,000, $1,959,909 and $1,859,958 in 2001, 2000 and 1999, 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 and an issuer of commercial paper administered by that 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 indirect wholly-owned subsidiary of the Company that was formed for the sole purpose of entering into the Receivables Facility. SA Funding Corp. in turn sells an undivided ownership interest in these receivables to the ICP or the bank, subject to certain conditions, up to a maximum of $125,000 of undivided ownership interests outstanding from time to time.

SA Funding Corp. retains the receivables it purchases from the Originators, except those as to which interests are sold by it to the ICP or the bank. Sales of accounts receivable by the Originators to SA Funding Corp. and sales of interests from SA Funding Corp. to the ICP and the bank 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 ICP and the bank 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 ICP and the bank. Prior to a termination event under the Receivables Facility, collections of receivables not otherwise required to be paid to the ICP or the bank 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, although the bank's commitment to make purchases of receivables interests from SA Funding Corp. expires on December 7, 2002 and is subject to annual renewal with the agreement of the parties. Under certain limited circumstances, none of which had occurred at December 31, 2001, the ICP and the bank can terminate purchases of interests in eligible accounts receivable prior to these dates. The events that could result in termination include a downgrading by either of the two leading credit rating agencies of the Company's long-term senior unsecured debt to BB- or below by Standard & Poor's Rating Services or Ba3 or below by Moody's Investors Service, Inc. The Receivables Facility provides for the payment from time to time of program fees (currently 0.375% per annum) on the receivables interests sold by SA Funding Corp. and commitment fees (currently 0.325% per annum) on the unused portion of the $125,000 Receivables Facility.

In December 2001, the Originators sold approximately $176,900 of their eligible U.S. accounts receivable to SA Funding Corp. SA Funding Corp. in turn sold an undivided ownership interest in $95,600 of such receivables under the Receivables Facility, and this amount has been 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 are 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 statement of earnings for the year ended December 31, 2001. These costs primarily relate to the loss on the sale of the interests in receivables to the ICP or the bank, which was approximately $75, and program and commitment fees and other associated costs, which were approximately $343.

Note 5 Acquisitions

In 2001, 2000 and 1999, 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 transactions, which were carried out in exchange for cash, net of cash acquired, in the aggregate amount of approximately $36,007 in 2001, $237,541 in 2000 and $25,811 in 1999, were accounted for as purchases and resulted in goodwill of approximately $16,700 in 2001, $153,000 in 2000 and $6,000 in 1999. The Company assumed approximately $19,100, $16,600 and $3,100 of debt of the acquired companies in 2001, 2000 and 1999, respectively. The Company acquired cash of approximately $8,589 in acquisitions in 2000. Cash acquired was not material in 1999 or 2001. These acquisitions were not material to the Company's consolidated financial statements.

Note 6 Inventories

	December 31, 2001	December 31, 2000
Inventories (at FIFO, which approximates current cost):		
Raw materials	$ 69,312	$ 72,537
Work in process	65,148	63,798
Finished goods	174,968	193,169
	309,428	329,504
Reduction of certain inventories to LIFO basis	(20,858)	(20,388)
Total	$ 288,570	$ 309,116

Inventories accounted for on a LIFO basis represented approximately 40% of total inventories at December 31, 2001 and 2000, respectively.

Note 7 Property and Equipment

	December 31, 2001	December 31, 2000
Land and improvements	$ 29,784	$ 35,954
Buildings	413,320	404,514
Machinery and equipment	1,466,954	1,405,119
Other property and equipment	110,666	112,184
Construction-in-progress	139,448	85,707
	2,160,172	2,043,478
Accumulated depreciation and amortization	(1,109,734)	(1,011,337)
Property and equipment, net	$ 1,050,438	$ 1,032,141

Interest cost capitalized during 2001, 2000 and 1999 was $6,800, $3,300 and $3,000, respectively.

Note 8 Other Liabilities

	December 31, 2001	December 31, 2000
Other current liabilities:		
Accrued salaries, wages and related costs	$ 94,145	$ 93,086
Accrued restructuring costs (Note 10)	19,697	537
Accrued operating expenses	140,759	124,193
Accrued dividends and interest	22,995	29,457
Income taxes payable	71,263	32,883
Total	$ 348,859	$ 280,156

	December 31, 2001	December 31, 2000
Other liabilities:		
Other postretirement benefits	$ 3,082	$ 3,699
Non-U.S. statutory social security and pension obligations	33,395	31,103
Other various liabilities	29,205	38,192
Total	$ 65,682	$ 72,994

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 earnings before income taxes were as follows:

	2001	2000	1999
Domestic	$ 213,689	$ 310,361	$ 233,493
Foreign	83,763	103,068	162,160
Total	$ 297,452	$ 413,429	$ 395,653

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

	2001	2000	1999

	2001	2000	1999
Current tax expense:			
Federal	$ 82,124	$ 96,864	$ 77,391
State and local	17,828	23,498	20,455
Foreign	49,886	47,387	66,988
Total current	149,838	167,749	164,834
Deferred tax (benefit) expense:			
Federal	2,089	14,769	10,371
State and local	449	3,668	2,593
Foreign	(11,621)	1,924	6,394
Total deferred	(9,083)	20,361	19,358
Total provision	$ 140,755	$ 188,110	$ 184,192

Deferred tax liabilities consist of the following:

	December 31,	
	2001	2000
Accruals not yet deductible for tax purposes	$ 22,002	$ 20,865
Foreign net operating loss carryforwards and investment tax allowances	16,256	22,772
Employee benefit items	10,987	15,781
Inventories	10,994	13,576
Research and development	1,751	5,877
Postretirement benefits other than pensions	1,239	1,487
Other	7,414	6,911
Gross deferred tax assets	70,643	87,269
Valuation allowance	(15,956)	(15,049)
Total deferred tax assets	54,687	72,220
Depreciation and amortization	(111,216)	(125,640)
Unremitted foreign earnings	(39,645)	(38,683)
Intangibles	(27,021)	(29,891)
Pension	(19,008)	(19,414)
Capitalized interest	(10,166)	(12,421)
Other	(12,228)	(11,539)
Total deferred tax liabilities	(219,284)	(237,588)
Net deferred tax liabilities	$ (164,597)	$ (165,368)

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

	2001	2000	1999
Statutory U.S. federal tax rate	35.0%	35.0%	35.0%
State income taxes, net of federal tax benefit	4.0	4.3	3.8
U.S. and foreign taxes on unremitted earnings	0.9	0.4	0.9
Foreign taxes on foreign operations in excess of U.S. tax rates	0.7	0.6	1.8
Non-deductible expenses, primarily goodwill amortization	6.7	5.2	5.1
Effective tax rate	47.3%	45.5%	46.6%

The Company has concluded that it is more likely than not that the $54,687 balance of deferred tax assets, net of the valuation allowance of $15,956, at December 31, 2001 will be realized based upon anticipated future results. The valuation allowance is primarily related to the uncertainty of utilizing $22,114 of foreign net operating loss carryforwards ($6,847 tax effected) and $33,603 of investment tax allowances ($9,409 tax effected) that have no expiration period.

The Company provides for U.S. income taxes on that portion of foreign subsidiaries' accumulated earnings that management believes are not reinvested indefinitely in their businesses. As of December 31, 2001, the Company has provided for $39,645 of taxes in respect of these 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, the Company announced and began implementing a restructuring program that resulted in charges to operations in the second, third and fourth quarters of 2001. Such charges amounted to $32,805 for the year ended December 31, 2001, and included $23,877 of employee termination costs, $1,641 of facility exit costs and $7,287 of long-lived asset impairments. The portion of this restructuring charge related to the Company's food packaging segment amounted to $21,116 and the portion applicable to the protective and specialty packaging segment amounted to $11,689. The asset impairment amount of $7,287 includes write-downs or write-offs of $3,877 for property, plant and equipment, $3,342 for goodwill, and $68 for certain other long-lived assets. These impairments related to decisions to rationalize and realign production of certain small product lines and 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 is expected to be $365. Substantially all of the property, plant and equipment has either been disposed of or is held for disposition. The remaining carrying value as of December 31, 2001 of assets held for disposition was approximately $745 and the effect of suspending depreciation of such assets is immaterial to the consolidated financial statements. The Company expects to incur $25,518 of cash outlays to carry out the restructuring program, of which approximately $5,821 was paid in 2001. These cash outlays include primarily severance and other personnel-related costs and the costs of terminating lease and other contractual arrangements. In connection with the restructuring, the Company is eliminating approximately 793 positions. However, with the prospective addition of approximately 323 jobs in connection with the Company's realignment or relocation of certain manufacturing activities, the net reduction in headcount positions is expected to be approximately 470. These 793 positions are from all geographic areas in which the Company does business but are primarily involved in the Company's manufacturing and sales and marketing functions in North America and Europe. Through December 31, 2001, 220 of the 793 positions have been eliminated, and the remaining restructuring actions accrued in 2001, including the disposition of impaired assets, are expected to be substantially completed during 2002, although certain cash outlays are expected to continue into future years.

The components of the 2001 Restructuring Program are 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

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 $26,064, $22,004, and $31,852 in 2001, 2000 and 1999, respectively. In 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 for the Company's contribution to the profit-sharing plan in 2000 and 1999 was $13,877 and $8,823, respectively.

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 2001, 2000 and 1999 amounted to $850, $624 and $1,088, respectively. The balance sheet as of December 31, 2001 includes a prepaid pension asset of $7,829. The balance sheet as of December 31, 2000 includes the following items related to such plans: an intangible asset of $1,706, accumulated other comprehensive income of $59, an accrued benefit liability of $21, and a prepaid pension asset of $2,510. The aggregate benefit obligation at December 31, 2001 and 2000 amounted to $19,671 and $16,802, respectively, while the fair value of plan assets at such dates amounted to $18,862 and $15,423, 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 2001 and 2000 under SFAS No. 132 for its non-U.S. pension plans.

Change in benefit obligation:	2001	2000
Benefit obligation at beginning of period	$ 137,126	$ 133,206
Service cost	4,901	6,754
Interest cost	7,912	7,390
Actuarial loss	873	2,123
Plan merger	—	3,275
Curtailment (gain) loss	(1,042)	1,614
Benefits paid	(10,864)	(7,881)
Employee contributions	926	1,403
Foreign exchange impact	(6,002)	(10,758)
Benefit obligation at end of period	$ 133,830	$ 137,126
Change in plan assets:		
Fair value of plan assets at beginning of period	$ 150,478	$ 160,568
Plan merger	—	2,289
Actual (loss) return on plan assets	(9,796)	4,980
Employer contributions	1,809	1,982
Benefits paid	(10,864)	(7,881)
Assets transferred to defined contribution plan	(509)	—
Employee contributions	926	1,403
Foreign exchange impact	(6,333)	(12,863)
Fair value of plan assets at end of period	$ 125,711	$ 150,478

Funded status:	2001	2000
Plan assets (less than) in excess of benefit obligation	$ (8,119)	$ 13,352
Unrecognized net obligation	286	335
Unrecognized net prior service cost	712	862
Unrecognized net actuarial loss	39,320	19,364
Net asset recognized at end of period	$ 32,199	$ 33,913
Amount recognized in the consolidated balance sheet consists of:		
Prepaid benefit cost	$ 53,039	$ 54,156
Accrued benefit liability	(25,131)	(23,410)
Intangible asset	563	691
Accumulated other comprehensive income	3,728	2,476
Net amount recognized	$ 32,199	$ 33,913

The following presents the Company's pension expense for 2001, 2000 and 1999 under SFAS No. 132 for its non-U.S. pension plans.

Components of net periodic benefit cost:	Year ended December 31, 2001	Year ended December 31, 2000	Year ended December 31, 1999
Service cost	$ 4,901	$ 6,754	$ 6,984
Interest cost	7,912	7,390	7,116
Expected return on plan assets	(12,364)	(13,060)	(12,169)
Amortization of obligation (asset)	36	(159)	(487)
Amortization of prior service cost	110	115	106
Amortization of net actuarial loss	583	326	1,096
Net periodic pension cost	$ 1,178	$ 1,366	$ 2,646

The projected benefit obligation, accumulated benefit obligation, and fair value of plan assets for pension plans with accumulated benefit obligations in excess of plan assets were $26,733, $24,009 and $7,612 as of December 31, 2001, respectively, and $32,924, $28,440 and $4,920 as of December 31, 2000, respectively.

The following significant assumptions were used in calculating the pension cost and funded status presented above:

	2001	2000	1999
Discount rate at December 31	5.8%	5.9%	5.7%
Expected long-term rate of return	8.1%	8.6%	8.6%
Rate of compensation increase	3.5%	3.9%	3.8%

Note 12 Debt

A summary of debt at December 31, 2001 and 2000 follows:

	December 31, 2001	December 31, 2000
Short-term borrowings and current portion of long-term debt:		
364-Day Revolving Credit Agreements	$ —	$ 127,885
Other short-term borrowings	135,548	162,543
Current portion of long-term debt	1,943	1,418
Total current debt	137,491	291,846
Long-term debt, less current portion:		
Revolving Credit Agreement due March 2003	7,539	456,263
5.625% Euro Notes due July 2006, less discount of $844 and $1,056 in 2001 and 2000, respectively	175,666	185,145
8.75% Senior Notes due July 2008, less discount of $3,999	296,001	—
6.95% Senior Notes due May 2009, less discount of $1,736 and $1,909 in 2001 and 2000, respectively	298,264	298,091
Other	10,641	4,954
Total long-term debt, less current portion	788,111	944,453
Total debt	$ 925,602	$ 1,236,299

During 2001, the Company paid down $154,355 of its current debt and $156,342 of its long-term debt. These repayments and the financing transactions discussed below permitted the Company to eliminate all borrowings under the Company's 364-day revolving credit agreements, pay down all but $7,539 of the amounts outstanding under the revolving credit agreement due March 30, 2003 (the "2003 Facility"), and reduced amounts due under various short-term lines of credit maintained by various of its subsidiaries. These payments were made from operating cash flows, the net proceeds of the 8.75% Senior Notes, discussed below, and the sale of eligible receivables under the Receivables Facility discussed in Note 4. The issuance of the 8.75% Senior Notes also lengthened the Company's average debt maturities.

On June 26, 2001 the Company issued $300,000 aggregate principal amount of 8.75% Senior Notes due July 1, 2008 (the "8.75% Senior Notes") under Rule 144A and Regulation S of the Securities Act of 1933, as amended. The net proceeds of $295,773 from the issuance of these Notes were used to refinance a portion of the borrowings under the 2003 Facility described below. These Notes were priced at 98.591% to yield 9.025%. Accrued interest on these Notes is payable semi-annually on January 1 and July 1 of each year, with the first payment in January 2002.

Substantially all of the Company's short-term borrowings of $135,548, at December 31, 2001 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, 2001 and 2000 were approximately $326,000 and $352,000, respectively, of which approximately $190,000 and $189,000, respectively, were unused.

At December 31, 2001 and 2000, the Company had available committed and uncommitted lines of credit of approximately $1,046,000 and $1,252,000, respectively, of which approximately $903,000 and $505,000, respectively, were unused. Such credit lines include amounts available under the 364-Day Facility, the 2003 Facility and the other lines of credit available to the Company's subsidiaries. The Company is not subject to any material compensating balance requirements in connection with its lines of credit.

The 2003 Facility, which is a multi-year $525,000 credit facility, and a 364-day $194,375 revolving credit facility that expires on March 22, 2002 (the "364-Day Facility") are the Company's principal revolving credit facilities. The borrowings of $127,885 shown in the table above under the caption "364-Day Revolving Credit Agreements" at December 31, 2000 were borrowings under a previous 364-day revolving credit facility that the Company replaced with the 364-Day Facility on March 23, 2001. The Company had not utilized the 364-Day Facility as of December 31, 2001.

The 364-Day Facility and the 2003 Facility provide that the Company and certain of its subsidiaries may borrow for various purposes, 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 these credit facilities may be re-borrowed from time to time prior to the expiration or earlier termination of the facilities. As of December 31, 2001, facility fees were payable at the rates of 0.125% per annum under the 2003 Facility and 0.300% per annum under the 364-Day Facility on the total amounts available under each of these credit facilities.

The obligations under these credit facilities 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 and the Company's 364-day facilities was approximately 4.2% at December 31, 2001 and 7.0% at December 31, 2000.

The 2003 Facility and the 364-Day Facility provide for changes in borrowing margins based on the Company's long-term senior unsecured debt ratings and, in addition, with respect to the 2003 Facility, certain financial criteria. The 2003 Facility and 364-Day 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. The Company and its subsidiaries were in compliance with these requirements as of December 31, 2001.

Scheduled annual maturities of long-term debt, exclusive of debt discounts, for the five years subsequent to December 31, 2001 are as follows: 2002 - $1,943; 2003 - $9,660; 2004 - $1,762; 2005 - $1,976; 2006 - $177,648; and thereafter - $603,644.

Note 13 Derivatives and Hedging Activities

Effective January 1, 2001, the Company adopted 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 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 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 foreign currency purchases and sales and to fix the amounts receivable or payable on transactions denominated in foreign currencies. At December 31, 2001, the Company was party to foreign currency forward contracts maturing through June 2002, with an aggregate notional amount of approximately $266,902. Such contracts had original maturities of less than twelve months and qualified and were designated as cash flow hedges.

The Company may use the following other derivative instruments from time to time: options, collars and swaps to manage its exposure to fluctuations in interest rates; 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, 2001 the Company was not party to any of these types of contracts.

Gains and losses on derivatives qualifying as cash flow hedges are recorded in other comprehensive income (loss), 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 earnings. Net losses included in other comprehensive income (loss) for the year ended December 31, 2001 were $131 after tax ($210 pre-tax) all of which is expected to be included in interest expense or other income (expense), net, within the next twelve months. The

unrealized amounts in other comprehensive income (loss) will fluctuate based on changes in the fair value of open contracts at 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. Due to highly effective cash flow hedges in 2001, the effect on the Company's consolidated net earnings was not material.

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 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 material financial instruments at December 31, 2001 and 2000 were as follows:

	2001		2000	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Derivative financial assets:				
Foreign currency forward contracts	$ 523	$ 523	$ —	$ 253
Derivative financial liabilities:				
Foreign currency forward contracts	$ 210	$ 210	$ —	$ —
Financial liabilities:				
Debt:				
Credit Agreements	$ 7,539	$ 7,539	$ 584,148	$ 584,148
8.75% Senior Notes	296,001	303,075	—	—
6.95% Senior Notes	298,264	275,229	298,091	257,832
Euro Notes	175,666	156,370	185,145	148,066
Other foreign loans	143,828	142,622	165,114	165,210
Other loans	4,304	4,599	3,801	3,994
Total debt	$ 925,602	$ 889,434	$ 1,236,299	$ 1,159,250
Series A convertible preferred stock	$ 1,366,154	$ 1,132,542	$ 1,392,373	$ 849,348

Interest rate collars are used, from time to time, to reduce the Company's exposure to fluctuations in interest rates by limiting fluctuations in the rate of interest the Company pays on a notional amount of debt. At December 31, 2001, the Company was not party to any interest rate collars. At December 31, 2000, the Company was party to an interest rate collar with an aggregate notional amount of approximately $8,000 that matured in June 2001.

The Company uses foreign currency forward contracts to fix the amounts receivable or payable on transactions denominated in foreign currencies. At December 31, 2001, the Company was party to foreign currency forward contracts, maturing through June 2002, with an aggregate notional amount of approximately $266,902. At December 31, 2000, the Company was party to foreign currency forward contracts, maturing through December 2001, with an aggregate notional amount of approximately $13,800.

Unrealized and realized gains and losses on the Company's financial instruments and derivatives were not material to the consolidated financial statements in 2001, 2000 or 1999.

Note 15 **Shareholders' Equity**

Common Stock

The following is a summary of changes during 2001, 2000 and 1999 in shares of common stock:

	2001	2000	1999
Changes in common stock:			
Number of shares, beginning of year	84,352,492	84,135,255	83,806,361
Shares issued for contingent stock	113,950	183,050	246,300
Non-cash compensation	7,926	10,800	13,000
Conversion of preferred stock	139	1,008	5,483
Exercise of stock options	19,997	22,379	64,111
Number of shares issued, end of year	84,494,504	84,352,492	84,135,255
Changes in common stock in treasury:			
Number of shares held, beginning of year	706,265	535,356	494,550
Contingent stock forfeited	11,850	21,550	15,400
Purchase of shares during period	—	494,737	251,000
Non-cash compensation	(500)	(60,000)	(50,000)
Profit sharing contribution	—	(285,378)	(175,594)
Number of shares held, end of year	717,615	706,265	535,356

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 $9,962, $16,015 and $15,679 in 2001, 2000 and 1999, respectively.

Non-cash compensation includes shares issued to non-employee directors in the form of awards under the Company's restricted stock plan for non-employee directors (the "Directors Stock Plan"). The Directors Stock Plan provides for annual grants of shares to non-employee directors, and interim grants of shares to eligible directors elected at other than an annual meeting, at an amount less than 100% of fair value at date of grant, as all or part of the annual retainer fees for non-employee directors. Shares issued under this plan are restricted as to disposition by the holders as long as such holders remain directors of the Company. 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, $587 and $842 in 2001, 2000 and 1999, respectively. 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, $1,474 and $269, in 2001, 2000 and 1999, respectively. Such shares vest ratably over a three to five year period and are amortized on a straight-line 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:

	2001	2000	1999
Changes in Contingent Stock Plan shares:			
Number of shares available, beginning of year	1,587,050	1,748,550	1,978,450
Shares issued for new awards	(114,450)	(183,050)	(246,300)
Contingent stock forfeited	11,850	21,550	16,400
Number of shares available, end of year	1,484,450	1,587,050	1,748,550
Weighted average per share market value of stock on grant date	$ 40.44	$ 48.96	$ 55.19
Changes in Directors Stock Plan shares:			
Number of shares available, beginning of year	64,200	75,000	88,000
Shares issued for new awards	(8,400)	(10,800)	(13,000)
Number of shares available, end of year	55,800	64,200	75,000
Weighted average per share market value of stock on grant date	$ 44.65	$ 55.31	$ 64.88

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 share of common stock for each share of preferred stock. These shares vote with the common stock on an as-converted basis and receive a cash dividend, as declared by the Board of Directors, at an annual rate of $2.00 per share, payable quarterly in arrears. Subject to conditions (which have not been met as of December 31, 2001) set forth in the Company's Certificate of Incorporation, as amended, the Series A preferred stock is redeemable at the option of the Company. Under the Company's Certificate of Incorporation, as amended, the Series A preferred stock is redeemable at the option of the Company on or after March 31, 2003 without regard to these conditions. The Series A preferred stock is also subject to mandatory redemption on March 31, 2018 at $50 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 2001, the Company repurchased 524,220 shares of the Company's convertible preferred stock at a cost of approximately $18,754, representing a cost 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 2001, 2000 and 1999 in shares of the Company's Series A preferred stock:

	2001	2000	1999
Changes in preferred stock:			

Number of shares issued, beginning of year	28,282,362	36,015,645	36,021,851
Conversion of preferred stock	(158)	(1,146)	(6,206)
Retired	(924,120)	(7,732,137)	—
Number of shares issued, end of year	27,358,084	28,282,362	36,015,645
Changes in preferred stock in treasury:			
Number of shares held, beginning of year	434,900	782,400	200,000
Purchase of shares during period	524,220	7,384,637	582,400
Retired	(924,120)	(7,732,137)	—
Number of shares held, end of year	35,000	434,900	782,400

Stock Options

Stock option plans in which certain employees of the Cryovac packaging business particiated 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. Such options, which were granted at an exercise price equal to their fair market value on the date of grant, have terms of up to ten years and one month from the date of grant. No options have been granted since 1997.

During 2001, 2000 and 1999, 19,997, 22,379 and 64,111 options, respectively, were exercised with an aggregate exercise price of $503, $860 and $2,029, respectively. At December 31, 2001, 2000 and 1999, 371,178, 395,116 and 426,066 options, respectively, to purchase shares of common stock were outstanding at an average per share exercise price of $38.28, $37.66 and $37.83, respectively.

The pro forma effect on earnings and earnings per common share of applying SFAS No. 123 for those options granted to employees prior to termination of the plans were as follows:

	Year Ended December 31,	
	2000	1999
Net earnings ascribed to common shareholders:		
As reported	$ 206,366	$ 141,607
Pro forma(1)	206,191	140,867
Basic earnings per common share:		
As reported	$ 2.47	$ 1.69
Pro forma(1)	2.46	1.69
Diluted earnings per common share:		
As reported	$ 1.93	$ 1.68
Pro forma(1)	1.93	1.67

(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 granted prior to the termination of the plan in 1998 had 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 the year ended December 31, 2001.

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

	2001	2000	1999
Interest payments, net of amounts capitalized	$ 65,225	$ 55,384	$ 48,810
Income tax payments	141,661	176,235	172,980
Non-cash items:			
Issuance of shares of common stock to the profit sharing plan	$ —	$ 13,877	$ 8,823

Note 17 Earnings Per Common Share

In calculating basic and diluted earnings per common share, the weighted average number of common shares assumes the exercise of dilutive stock options in each year as well as the repurchase of preferred stock in each period. Except as noted in the table below, the outstanding preferred stock is not assumed to be converted in the calculation of diluted 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 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, 2001, 2000 and 1999 (shares in thousands).

		2001		2000		1999
Basic EPS:						
Numerator						
Net earnings	$	156,697	$	225,319	$	211,461
Add: Excess of book value over repurchase price of preferred stock		7,456		45,283		1,568
Less: Preferred stock dividends		55,024		64,266		71,422
Net earnings ascribed to common shareholders - basic	$	109,129	$	206,336	$	141,607
Denominator						
Weighted average common shares outstanding - basic		83,692		83,672		83,553
Basic earnings per common share	$	1.30	$	2.47	$	1.69
Diluted EPS:						
Numerator						
Net earnings ascribed to common shareholders - basic	$	109,129	$	206,336	$	141,607
Add: Dividends associated with preferred stock repurchased		302		8,423		916
Less: Excess of book value over repurchase price of preferred stock		7,456		45,283		1,568
Net earnings ascribed to common shareholders - diluted	$	101,975	$	169,476	$	140,955
Denominator						
Weighted average common shares outstanding - basic		83,692		83,672		83,553
Effect of assumed exercise of options		—		90		131
Weighted average of preferred stock purchased		208		4,189		444
Weighted average common shares outstanding - diluted		83,900		87,951		84,128
Diluted earnings per common share	$	1.22	$	1.93	$	1.68

Note 18 Commitments and Contingencies

The Company is obligated under the terms of various leases covering many of the facilities that it occupies. The Company accounts for substantially all of its leases as operating leases. Net rental expense was $23,238, $23,497 and $24,667 for 2001, 2000 and 1999, respectively. Estimated future minimum annual rental commitments under noncancelable real property leases are as follows: 2002 - $20,925; 2003 - $15,984; 2004 - $11,290; 2005 - $7,973; 2006 - $5,970; and subsequent years - $9,418.

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."

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.

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 reached conclusions adverse to the Company, such determination could have 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 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. The Company believes that New Grace's filing for reorganization may provide a single forum in which all such claims might be resolved.

Committees appointed in New Grace's bankruptcy case have sought the court's permission to pursue fraudulent transfer claims against the Company 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 February 2002, the court indicated that the issues of the solvency of Grace following the Fresenius transaction and the solvency of New Grace following the Cryovac Transaction and whether the transferor received reasonably equivalent value in such transactions would be tried on behalf of all creditors of New Grace starting on September 30, 2002 and designated a firm to prosecute that action. The Company believes that the Cryovac Transaction was not a fraudulent transfer and the Company intends to defend its interests vigorously.

During 2001, the Company paid approximately $8,000, unrelated to the asbestos and fraudulent transfer claims described above, which 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.

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 contends that the Company is obligated to indemnify Fresenius for certain liabilities that Fresenius may incur as a result of the 1996 Fresenius transaction mentioned above. Fresenius's contention is based on its interpretation of the agreements between Fresenius and such New Grace subsidiary 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 believes that it is not responsible to indemnify Fresenius under the 1996 agreements and has filed the action in order to proceed to a resolution of Fresenius's claims. However, if the court were to rule against the Company and if Fresenius were to incur a material liability subject to an indemnification obligation, then the outcome of the action could have a material adverse effect on the Company's consolidated results of operations and financial position. The action is in its early stages, and Fresenius has not yet responded to the complaint.

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.

Under accounting principles generally accepted in the United States of America, an accrual for a contingent liability is appropriate only if it is probable that a liability has been incurred and if the amount of the liability can be reasonably estimated. The Company does not believe that these conditions have been met with respect to the claims against the Company related to the alleged asbestos liabilities, the fraudulent transfer claims or the Fresenius indemnification matter, all of which are described above. Accordingly, the Company has not made any accrual for these matters as of December 31, 2001.

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, less certain amounts that the Company is responsible for under the Transaction Agreements. Costs and liabilities for which the Company intends to seek indemnification by New Grace will include certain defense costs related to asbestos and fraudulent transfer litigation and the Fresenius claims, the guaranteed debt paid by the Company described above, any recovery by the creditors of New Grace if the Company were not successful in defending against the fraudulent transfer or asbestos claims described above, any recovery by Fresenius if the Company were held liable to indemnify Fresenius and Fresenius were to incur an indemnifiable liability, or any of the other potential claims against the Company mentioned above. 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 or the amount of the Company's recovery, if any, in the bankruptcy proceeding.

Note 19 New Accounting Pronouncements

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 will require 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. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed of."

The Company adopted the provisions of SFAS No. 141 immediately and adopted SFAS No. 142 effective January 1, 2002. Any goodwill and any intangible asset 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 in accordance with the appropriate pre-SFAS No. 142 accounting literature. 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 requires the Company to perform an assessment of whether goodwill and other intangible assets are impaired as of January 1, 2002. Because of the uncertainty, necessitated by the extensive effort needed to comply with the adoption of SFAS No. 142, further evaluation is needed to complete the transitional goodwill impairment test provisions of SFAS No. 142. However, the Company believes, based on its preliminary evaluation, that adoption of the new standard should not result in a material transitional impairment charge to the consolidated statement of earnings. The Company is required by this standard to complete the assessment process no later than June 30, 2002 and to record any impairment loss as soon as possible but no later than the end of 2002. Transitional impairment losses, if any, will be recognized as a cumulative effect of a change in accounting principle in the Company's statement of earnings. The Company expects to complete this process as required.

As of December 31, 2001, the Company has unamortized goodwill in the amount of $1,913,000 and unamortized identifiable intangible assets in the amount of approximately $23,474, all of which will be subject to the transition provisions of SFAS Nos. 141 and 142. Amortization expense related to goodwill was $57,005 and $51,776 for years ended December 31, 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 standard 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.

In August 2001, the FASB issued 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 Company expects to adopt this standard beginning January 1, 2003. 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 long-lived assets to be disposed of 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. 143 is not expected to have a material impact on the Company's 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
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(1)	0.30	0.30	0.40	0.30
Earnings per common share - diluted(1)	0.25	0.30	0.37	0.30
2000				
Net sales	$ 741,464	$ 756,841	$ 773,255	$ 796,154
Gross profit	257,989	253,973	253,434	269,908
Net earnings	54,983	53,831	54,714	61,791
Preferred stock dividends	17,097	17,002	15,991	14,176
Earnings per common share - basic(1)	0.49	0.44	0.57	0.97
Earnings per common share - diluted(1)	0.45	0.44	0.46	0.56

(1) 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.

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Report of Independent Certified Public Accountants

To the Board of Directors and Shareholders
of Sealed Air Corporation

We have audited the accompanying consolidated balance sheets of Sealed Air Corporation and subsidiaries as of December 31, 2001 and 2000, and the related consolidated statements of earnings, equity, cash flows, and comprehensive income for each of the years in the three-year period ended December 31, 2001. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements 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, 2001 and 2000, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2001 in conformity with accounting principles generally accepted in the United States of America.

/s/ KPMG LLP

KPMG LLP
Short Hills, New Jersey
January 24, 2002

Capital Stock Information

The Company's Common Stock is listed on the New York Stock Exchange (trading symbol: SEE). The adjacent table sets forth the quarterly high and low sales prices of the Common Stock for 2000 and 2001. 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 January 31, 2002 there were approximately 9,592 holders of record of the Company's Common Stock.

Common Stock

2000

	High	Low
First Quarter	$ 61.88	$ 43.38
Second Quarter	$ 59.50	$ 50.63
Third Quarter	$ 54.75	$ 43.81
Fourth Quarter	$ 52.50	$ 26.38

2001

	High	Low
First Quarter	$ 41.80	$ 28.80
Second Quarter	$ 44.80	$ 30.42
Third Quarter	$ 41.64	$ 31.93
Fourth Quarter	$ 47.10	$ 35.30

The Company's Series A Convertible Preferred Stock is also listed on the New York Stock Exchange (trading symbol: SEE PrA). The adjacent table sets for the quarterly high and low sales prices for the Series A Preferred Stock for 2000 and 2001. Quarterly dividends of $0.50 per share were paid on the Preferred Stock in each year. As of January 31, 2002 there were approximately 7,823 holders of record of the Preferred Stock.

Preferred Stock

2000

	High	Low
First Quarter	$ 57.94	$ 43.13
Second Quarter	$ 56.00	$ 48.00
Third Quarter	$ 51.94	$ 43.50
Fourth Quarter	$ 50.50	$ 29.13

2001

	High	Low
First Quarter	$ 42.50	$ 30.99
Second Quarter	$ 46.25	$ 33.83
Third Quarter	$ 43.70	$ 34.50
Fourth Quarter	$ 47.00	$ 38.00

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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.

C.B. Packaging LLC*	Delaware
CPI Packaging, Inc.	Delaware
Cryovac Australia Pty. Ltd.	Australia
Cryovac Brazil Ltda.	Brazil
Cryovac Chile Holdings, LLC	Delaware
Cryovac China Holdings I, Inc.	Cayman Islands, BWI
Cryovac Far East Holdings, LLC.	Delaware
Cryovac (Gaoming) Co., Ltd.**	China
Cryovac Holdings, LLC	Delaware
Cryovac Holdings, S.A. de C.V.	Mexico
Cryovac, Inc.†	Delaware
Cryovac India Private Limited	India
Cryovac International Holdings, Inc.	Delaware
Cryovac Japan K.K.	Japan
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 Limited	Ireland
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
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	Queensland, Australia
Sealed Air Brasil Ltda.	Brazil
Sealed Air Belgium nv	Belgium
Sealed Air B.V.	Netherlands
Sealed Air (Canada) Inc.	Ontario, 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 Hellas S.A.	Greece
Sealed Air Holdings B.V.	Netherlands
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 (Ireland) Limited	Ireland

Sealed Air (Israel) Ltd.	Israel
Sealed Air Japan Limited	Japan
Sealed Air Japan Limited	Nevada
Sealed Air Korea Limited	Korea
Sealed Air Limited	England
Sealed Air Limited	Ireland
Sealed Air LLC	Delaware
Sealed Air (Malaysia) Sdn. Bhd.	Malaysia
Sealed Air Multiflex GmbH	Germany
Sealed Air Norge AS	Norway
Sealed Air (New Zealand) Limited	New Zealand
Sealed Air Oy	Finland
Sealed Air Packaging Holdings (Israel) Ltd.	Israel
Sealed Air Packaging S.A.	France
Sealed Air Packaging, S.A.	Spain
Sealed Air Packaging (Shanghai) Co., Ltd.	China
Sealed Air Packaging Srl	Italy
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 Srl	Italy
Sealed Air s.r.o	Czech Republic
Sealed Air Svenska AB	Sweden
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
Soten U.S.A. LLC	California
Soten U.S.A. LLC	Illinois
Tart s.r.o***	Czech Republic
ZAO Sealed Air Kaustik**	Russia

* 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, 2001.

QuickLinks

EXHIBIT 21 SUBSIDIARIES OF THE COMPANY

QuickLinks -- Click here to rapidly navigate through this document

Exhibit 23

INDEPENDENT AUDITORS' CONSENT

The Board of Directors
Sealed Air Corporation:

We consent to incorporation by reference in Registration Statements on Form S-8 (Nos. 333-50603, 333-59197 and 333-59195) of Sealed Air Corporation of our reports dated January 24, 2002, relating to the consolidated balance sheets of Sealed Air Corporation and subsidiaries as of December 31, 2001 and 2000, and the related consolidated statements of earnings, equity, cash flows, and comprehensive income for each of the years in the three-year period ended December 31, 2001, and the related schedule, which reports appear in or are incorporated by reference in this Annual Report on Form 10-K.

KPMG LLP

/s/ KPMG LLP

Short Hills, New Jersey
March 27, 2002

QuickLinks

INDEPENDENT AUDITORS' CONSENT