QuickLinks -- Click here to rapidly navigate through this document

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, 2003

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

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

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

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes ☒ No o

The aggregate market value of the registrant's Common Stock held by non-affiliates of the registrant on June 30, 2003 was approximately $3,952,000,000.

The number of outstanding shares of the registrant's Common Stock as of February 27, 2004 was 85,576,482.

DOCUMENTS INCORPORATED BY REFERENCE: Portions of the registrant's definitive proxy statement for its 2004 Annual Meeting of Stockholders are incorporated by reference into Part III of this Form 10-K.

SEALED AIR CORPORATION AND SUBSIDIARIES
Table Of Contents

PART I

Item 1. Business

Sealed Air Corporation (the "Company"), operating through its subsidiaries, manufactures and sells a wide range of food, protective and specialty packaging products.

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

Segments

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

Food Packaging Products

The Company's principal food packaging products are its flexible materials and related systems marketed primarily under the Cryovac® trademark for packaging a broad range of perishable foods and the Company's rigid packaging and absorbent pads. The Company primarily sells the products in this segment 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. Customers use these products to package a broad range of perishable foods such as fresh meat and poultry, smoked and processed meat, cheese, processed and prepared foods such as soups and sauces for restaurants and institutions, and produce.

The Company's principal food packaging products are 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. The Company produces films and bags in barrier and permeable forms, depending on the extent to which customers want oxygen or other gases to 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 principal food packaging equipment offerings are 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. The Company markets systems to the food processing industry under the Cryovac® and other trademarks. The Company's case ready packaging customers, principally meat and poultry processors, purchase trays and pads as discussed below, specially designed films, and packaging equipment to centrally package meat and poultry products prior to shipment to the supermarket. Case ready packages are ready for the meat case upon arrival at the retail store.

Rigid Packaging and Absorbent Pads

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

Protective and Specialty Packaging Products

The Company's principal protective and specialty packaging products provide cushioning, surface protection and void fill. The Company primarily sells its protective and specialty packaging products and systems to distributors and manufacturers in a wide variety of industries. The products in this segment enable 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 sells performance shrink films under the Cryovac® and Opti® trademarks for product display and merchandising applications. Customers use these films primarily to "shrink-wrap" a wide assortment of industrial and consumer products. The Company's Instapak® polyurethane foam packaging systems (which consist of proprietary blends of polyurethane chemicals, high performance polyolefin films and specially designed dispensing equipment) provide protective packaging for a wide variety of products. The Company generally sells CelluPlank® plank foams and Stratocell® laminated polyethylene foams to fabricators and converters for packaging and non-packaging applications. 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 makes insulation products with foil-faced air cellular materials. The Company also offers films, tubing and connectors for use in manufacturing containers and pouches for a wide variety of medical applications.

The Company manufactures and markets Jiffy® protective mailers and other durable mailers and bags in several standard sizes. The Company's principal protective mailers are lightweight, tear-resistant mailers marketed under various trademarks, including Jiffylite® and Mail Lite™, lined with air cellular cushioning material, as well as the widely used Jiffy® padded mailers made from recycled kraft paper padded with macerated recycled newspaper. The Company's durable mailers and bags, composed of multi-layered polyolefin film, are lightweight, water-resistant and puncture-resistant and are available in tamper-evident varieties. The Company markets these mailers and bags under the ShurTuff®, Trigon®, Lab Pak®, Keepsafe® and Tuffgard® trademarks and other brands. The Company also manufactures and sells paper packaging products under the trademarks Kushion Kraft®, Custom Wrap™, Jiffy Packaging™ and Void Kraft™.

The Company also offers inflatable packaging systems. The Fill-Air® system converts rolls of polyethylene film into continuous perforated chains of air-filled cushions, and the Rapid Fill® system consists of a compact, portable inflator and self-sealing inflatable plastic bags. The Company produces and markets converting systems that convert some of the Company's packaging materials, such as 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 Shanklin® and other shrink packaging systems.

Other Products

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

Foreign Operations

The Company operates in the United States and in 49 other countries, and its products are distributed in those countries as well as in other parts of the world. In maintaining its foreign operations, the Company faces risks inherent in these operations, such as those of currency fluctuations. Information on currency exchange risk appears in Part II, Item 7A of this Annual Report on Form 10-K, which information is incorporated herein by reference. Financial information about geographic areas setting forth net sales and total long-lived assets for each of the years in the three-year period ended December 31, 2003 appears in Note 3 of the Notes to Consolidated Financial Statements in Part II, Item 8 of this Annual Report on Form 10-K, which information is incorporated herein by reference.

Marketing, Distribution and Customers

The Company employs over 2,600 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 such as food processors, food service businesses, and manufacturers.

To support its food packaging customers, the Company operates food science laboratories 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 operates 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 2003, no customer or affiliated group of customers accounted for 10% or more of the Company's consolidated net sales.

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

Competition

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

There are other manufacturers of food packaging products, some of which are companies offering similar products that operate on a global basis and others that operate in a region or single country. Competing manufacturers produce a wide variety of food packaging based on plastic, paper, metals and other materials. The Company believes that it is one of the leading suppliers of flexible food packaging materials and related systems in the principal geographic areas in which it offers those products and

one of the leading suppliers of absorbent pads for food products to supermarkets and poultry processors in the United States.

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

Raw Materials

The raw materials for the Company's products 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 both of the Company's reportable business segments are polyolefin and other petrochemical-based resins and films, paper and wood pulp products, and blowing agents used in foam packaging products. In addition, the Company offers a wide variety of specialized packaging equipment, some of which it manufactures or has manufactured to its specifications, some of which it assembles and some of which it purchases from other suppliers.

Product Development

The Company maintains a continuing effort to develop new products and improvements to its existing products and processes as well as new packaging and non-packaging applications for its products. From time to time, the Company also acquires new packaging designs or techniques developed by others that it believes to be promising and commercializes them. The Company has joint research and development projects combining the technical capabilities of its food packaging operations and its protective and specialty packaging operations. The Company incurred expenses of $69.0 million related to Company-sponsored research and development in 2003, compared with $59.3 million during 2002, and $55.8 million during 2001.

Patents and Trademarks

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

Environmental Matters

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

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

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

Employees

As of December 31, 2003, the Company had approximately 17,600 employees worldwide. Approximately 7,900 of those employees were in the U.S., with approximately 450 of those covered by collective bargaining agreements. Of the approximately 9,700 Company employees who were outside the U.S., approximately 6,100 were covered by collective bargaining agreements. Outside of the U.S., many of the covered employees are represented by works councils or industrial boards, as is customary in the jurisdictions in which these employees are employed. The Company believes that its employee relations are satisfactory.

Available Information

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

Item 2. Properties

As of December 31, 2003, the Company produced food packaging products in 52 manufacturing facilities, of which 15 were in North America, 16 in the European region, 9 in Latin America, 11 in the Asia Pacific region, and 1 in Africa. The Company produced protective and specialty packaging products in 92 manufacturing facilities, of which 40 were in North America, 26 in the European region, 10 in Latin America, 14 in the Asia Pacific region, and 2 in 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 manufactures food packaging products at facilities in Arkansas, Indiana, Iowa, Mississippi, Missouri, New York, North Carolina, Pennsylvania, South Carolina and Texas. It manufactures protective and specialty packaging products at facilities in California, Connecticut, Florida, Illinois, Indiana, Massachusetts, Mississippi, Missouri, New Jersey, New York, North Carolina, Pennsylvania, South Carolina, Texas and Washington. Because of the light but bulky nature of the Company's air cellular, polyethylene foam and protective mailer products, the Company realizes significant freight savings by locating manufacturing facilities for these products near customers.

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

Item 3. Legal Proceedings

The information set forth in Part II, Item 8 of this Annual Report on Form 10-K in Note 18 under the captions "Cryovac Transaction" and "Contingencies Related to the Cryovac Transaction" is incorporated herein by reference.

At December 31, 2003, the Company was a party to, or otherwise involved in, several federal, state and foreign environmental proceedings and private environmental claims for the cleanup of "Superfund" sites under the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 and other sites. The Company may have potential liability for investigation and cleanup of some of these sites. It is the Company's policy to accrue for environmental cleanup costs if it is probable that a liability has been incurred and if the Company can reasonably estimate an amount or range of costs associated with various alternative remediation strategies, without giving effect to any possible future insurance proceeds. As assessments and cleanups proceed, the Company reviews these liabilities periodically and adjusts its reserves as additional information becomes available. At December 31, 2003, environmental related reserves were not material to the Company's results of operations or financial condition. 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 these matters, the Company believes that its potential future liability with respect to these sites is not material to the Company's consolidated results of operations or consolidated balance sheets.

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

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 2003.

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 February 27, 2004, the year in which he or she was first elected to the position currently held with the Company or with the former Sealed Air Corporation, now known as Sealed Air Corporation (US) and a wholly-owned subsidiary of the

Company, and the year in which he or she was first elected an officer thereof (as indicated in the footnote to the table).

All of the Company's officers serve at the pleasure of the Board of Directors. The Company or its subsidiaries have employed all officers for more than five years except for Mr. Kelsey, who first was elected an 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 and Chief Financial 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 February 27, 2004	First Elected to Current Position*	First Elected An Officer*
William V. Hickey President, Chief Executive Officer and Director	59	2000	1980
David H. Kelsey Senior Vice President and Chief Financial Officer	52	2003	2002
Robert A. Pesci Senior Vice President	58	1997	1990
J. Stuart K. Prosser Senior Vice President	58	2003	1999
Jonathan B. Baker Vice President	51	1994	1994
Mary A. Coventry Vice President	50	1994	1994
James P. Mix Vice President	52	1994	1994
Manuel Mondragón Vice President	54	1999	1999
Carol Lee O'Neill Vice President	40	2002	2002
Hugh L. Sargant Vice President	55	1999	1999
Fred Smagorinsky Vice President	44	2001	2001
James Donald Tate Vice President	52	2001	2001
H. Katherine White Vice President, General Counsel and Secretary	58	2003	1996
Tod S. Christie Treasurer	45	1999	1999
Jeffrey S. Warren Controller	50	1996	1996

* All persons listed in the table who were first elected officers before 1998 were executive officers of the former Sealed Air Corporation, now known as Sealed Air Corporation (US), prior to the Cryovac transaction in March 1998. Mr. Hickey was first elected President in 1996, first elected Chief Executive Officer in 2000 and first elected a director in 1999. Mr. Kelsey was first elected Senior Vice President in 2003 and first elected Chief Financial Officer in 2002. Ms. White was first elected Vice President in 2003, first elected General Counsel in 1998, and first elected Secretary in 1996.

Part II

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

The Company's Common Stock is listed on the New York Stock Exchange under the trading symbol SEE. The table below sets forth the quarterly high and low sales prices of the Common Stock for 2002 and 2003 as reported in the New York Stock Exchange composite listing. No dividends were paid on the Common Stock in either year. The Company does not currently intend to begin paying dividends on its Common Stock. As of February 27, 2004, there were approximately 8,997 holders of record of the Company's Common Stock.

As of December 31, 2003, there were no shares of Series A convertible preferred stock authorized or outstanding, due to the redemption of all of the Company's outstanding shares of the preferred stock on July 18, 2003 at their redemption price of $51.00 per share, plus dividends of $0.0944 per share accrued on these shares from July 1, 2003 through July 17, 2003. The preferred stock was listed on the New York Stock Exchange prior to its redemption under the trading symbol SEE PrA. The table below sets forth the quarterly high and low sales prices for the preferred stock for 2002 and 2003 as reported in the New York Stock Exchange composite listing. The Company paid quarterly dividends of $0.50 per share on the preferred stock for each quarter through the second quarter of 2003.

Common Stock

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

2003	High	Low
First Quarter	$ 41.98	$ 35.42
Second Quarter	$ 47.66	$ 39.68
Third Quarter	$ 50.05	$ 45.51
Fourth Quarter	$ 54.47	$ 48.21

Preferred Stock

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

2003	High	Low
First Quarter	$ 47.26	$ 42.50
Second Quarter	$ 50.95	$ 45.25
Third Quarter	$ 51.06	$ 50.95

The information set forth in Part III, Item 12 of this Annual Report on Form 10-K under the caption "Equity Compensation Plan Information as of December 31, 2003" is incorporated herein by reference.

Item 6. Selected Financial Data

(In millions of dollars, except per share data)

	2003	2002(1)	2001	2000	1999
Consolidated Statement of Operations Data:					
Net sales	$ 3,531.9	$ 3,204.3	$ 3,067.5	$ 3,067.7	$ 2,931.9
Gross profit	1,112.8	1,057.6	990.3	1,035.3	1,028.7
Operating profit(2)	539.2	516.4	387.4	468.5	452.2
Earnings (loss) before income taxes	376.9	(391.9)	297.5	413.4	395.7
Net earnings (loss)	240.4	(309.1)	156.7	225.3	211.5
Series A convertible preferred stock dividends(3)	28.6	53.8	55.0	64.3	71.4
Earnings (loss) per common share					
Basic	$ 2.21	$ (4.20)	$ 1.30	$ 2.47	$ 1.69
Diluted	$ 2.00	$ (4.30)	$ 1.22	$ 1.93	$ 1.68
Consolidated Balance Sheet Data:					
Working capital net asset (net liability)(4)	$ 237.4	$ (96.5)	$ 149.4	$ 202.5	$ 221.1
Total assets(4)	4,704.1	4,260.8	3,907.9	4,090.9	3,887.6
Long-term debt, less current portion(3)(4)	2,259.8	868.0	788.1	944.5	665.1
Series A convertible preferred stock(3)	—	1,327.0	1,366.2	1,392.4	1,761.7
Total shareholders' equity	1,123.6	813.0	850.2	753.1	551.0
Other Data:					
EBIT(5)	$ 511.2	$ (326.6)	$ 373.9	$ 477.9	$ 453.8
Depreciation and amortization(2)	173.2	164.9	220.6	219.7	223.4
EBITDA(5)	684.4	(161.7)	594.5	697.6	677.2
Capital expenditures	124.3	91.6	146.3	114.2	75.1

(1) In November 2002, the Company reached an agreement in principle with the appropriate parties to resolve all current and future asbestos-related claims made against it and its affiliates in connection with the Cryovac transaction. The parties signed a definitive settlement agreement as of November 10, 2003 consistent with the terms of the agreement in principle. In connection with this settlement, the Company recorded a pre-tax charge of $850.1 million in the consolidated statement of operations in 2002, which resulted in the Company's net loss for the year ended December 31, 2002. See Note 18 to the Consolidated Financial Statements.

(2) Beginning January 1, 2002, in accordance with Statement of Financial Accounting Standards ("SFAS") No. 142, the Company stopped recording amortization expense related to goodwill. Goodwill amortization expense was $57.0 million in 2001, $51.8 million in 2000 and $49.4 million in 1999. See Note 19 to the Consolidated Financial Statements.

(3) In July 2003, the Company issued a total of $1,281.3 million of senior notes in transactions exempt from registration in reliance upon Rule 144A and other available exemptions under the Securities Act of 1933, as amended. On July 18, 2003, the Company used the net proceeds from these offerings and additional cash on hand of approximately $1,298.1 million in the aggregate to redeem its Series A convertible preferred stock at the redemption price of $51.00 per share. See Note 15 to the Consolidated Financial Statements.

(4) In December 2001, the Company and a group of its U.S. subsidiaries entered into a U.S. accounts receivable securitization facility and sold $95.6 million of interests in U.S. accounts receivable to the financial institutions participating in this facility. This amount was removed from the consolidated balance sheet and the proceeds were used to pay down outstanding borrowings. As of December 31, 2003 and 2002, these financial institutions held no interests in accounts receivable. See Note 4 to the Consolidated Financial Statements.

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

	2003	2002	2001	2000	1999
Net earnings (loss)	$ 240.4	$ (309.1)	$ 156.7	$ 225.3	$ 211.5
Add:					
Interest expense	134.3	65.3	76.4	64.5	58.1
Income tax expense (benefit)	136.5	(82.8)	140.8	188.1	184.2
EBIT	$ 511.2	$ (326.6)	$ 373.9	$ 477.9	$ 453.8
Add: depreciation and amortization	173.2	164.9	220.6	219.7	223.4
EBITDA	$ 684.4	$ (161.7)	$ 594.5	$ 697.6	$ 677.2

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

The information in "Management's Discussion and Analysis of Results of Operations and Financial Condition" should be read together with the Company's consolidated financial statements and related notes set forth in Item 8 of Part II of this Annual Report on Form 10-K. All amounts and percentages are approximate due to rounding.

Introduction

The Company manufactures and sells a wide range of food, protective and specialty packaging products, operating in the United States and in 49 other countries, with products distributed in those countries and in other parts of the world.

The Company operates in two reportable business segments, Food Packaging and Protective and Specialty Packaging. The Company's principal food packaging products are its flexible materials and related systems marketed primarily under the Cryovac® trademark for packaging a broad range of perishable foods and the Company's rigid packaging and absorbent pads. The Company primarily sells the products in this segment to food processors, distributors and food service businesses. The Company's principal protective and specialty packaging products provide cushioning, surface protection and void fill. The Company primarily sells its protective and specialty packaging products and systems to distributors and manufacturers in a wide variety of industries.

The Company employs over 2,600 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 such as food processors, food service businesses, and manufacturers. The Company has no material long-term contracts for the distribution of its products. In 2003, no customer or affiliated group of customers accounted for 10% or more of the Company's consolidated net sales. Although net sales of both food packaging products and protective and specialty packaging products have tended to be slightly higher in the fourth quarter, the Company does not consider seasonality to be material to its consolidated business.

Competition for most of the Company's packaging products is based primarily on packaging performance characteristics, service and price. Competition is also based upon innovations in packaging

technology and, as a result, the Company maintains ongoing research and development programs to enable it to maintain technological leadership.

The Company's net sales are sensitive to developments in its customers' business or market conditions, changes in the global economy, and the effects of foreign currency translation. Its costs can vary significantly with changes in petrochemical-related costs, which are not within the Company's control; consequently, the Company's management focuses on reducing those costs that the Company can control and using petrochemical-based raw materials as efficiently as possible. The Company also believes that its global presence helps to insulate it from localized changes in business conditions that may more strongly affect some of its competitors.

As is discussed below, the Company's business generates substantial cash flow. The Company believes that this cash flow will permit it to continue to invest in research and development at industry-leading levels compared with its net sales, to make strategic acquisitions and capital expenditures, and to maintain the flexibility to modify its capital structure as the need or opportunity arises. This cash flow will also keep the Company prepared for the settlement and interest payment it will be required to make upon consummation of a plan of reorganization in the W. R. Grace & Co. bankruptcy, as is discussed below.

Net Sales

The principal factors affecting changes in net sales in the three years ended December 31, 2003 were changes in unit volume, the added net sales of acquired businesses, changes in product mix and average selling prices and foreign currency translation.

Net sales in 2003 increased 10% to $3,531.9 million compared to $3,204.3 million in 2002. The components of the increase in net sales for 2003 were as follows (dollars in millions):

	Components of Increase in Net Sales (2003 vs. 2002):		
	Food Packaging Segment	Protective & Specialty Packaging Segment	Total Company
Volume — Units	2.6% $ 51.6	0.8% $ 9.7	1.9% $ 61.3

Volume — Acquired Businesses	0.1	2.4	0.4	5.0	0.2	7.4
Price/Mix	2.5	47.9	1.7	21.5	2.2	69.4
Foreign Currency Translation	6.4	125.7	5.1	63.8	5.9	189.5
Total	11.6%	$ 227.6	8.0%	$ 100.0	10.2%	$ 327.6

Net sales for 2002 increased 4% to $3,204.3 million compared to $3,067.5 million in 2001. The components of the increase in net sales for 2002 were as follows (dollars in millions):

	Components of Increase in Net Sales (2002 vs. 2001):					
	Food Packaging Segment		Protective & Specialty Packaging Segment		Total Company	
Volume — Units	4.1%	$ 77.4	3.3%	$ 39.1	3.8%	$ 116.5
Volume — Acquired Businesses	—	—	3.3	38.9	1.3	38.9
Price/Mix	(0.5)	(9.5)	(2.2)	(26.3)	(1.2)	(35.8)
Foreign Currency Translation	0.5	9.9	0.6	7.3	0.6	17.2
Total	4.1%	$ 77.8	5.0%	$ 59.0	4.5%	$ 136.8

Foreign currency translation had a favorable impact on net sales of $189.5 million in 2003. Excluding the positive effect of foreign currency translation, net sales would have increased 4% compared to 2002. Foreign currency translation had a modestly favorable effect on net sales of $17.2 million in 2002.

The favorable foreign currency translation impact on net sales in 2003 was primarily due to the strengthening of foreign currencies in Europe and the Asia-Pacific region against the U.S. dollar, partially offset by the weakness of the Brazilian real. The favorable effect of foreign currency translation on net sales in 2002 was primarily due to the strengthening of foreign currencies in Europe and the Asia-Pacific region compared with the U.S. dollar, partially offset by the weakness of the Argentine peso and the Brazilian real.

Net sales of the Company's food packaging segment, which consists primarily of the Company's Cryovac® food packaging products, constituted 62%, 61% and 61% of net sales in 2003, 2002 and 2001, respectively.

The Company's protective and specialty packaging segment contributed the balance of net sales. This segment aggregates the Company's protective packaging products, engineered products and shrink packaging products, all of which are used principally for non-food packaging applications.

Food Packaging Segment Sales

Net sales of food packaging products increased 12% in 2003 to $2,185.7 million compared to $1,958.1 million in 2002 and increased 4% in 2002 compared to $1,880.3 million in 2001. Foreign currency translation had a favorable impact on this segment of $125.7 million in 2003. Excluding the positive foreign currency translation effect, net sales for this segment would have increased 5% in 2003. Foreign currency translation had a modestly favorable impact on this segment of $9.9 million in 2002.

Among the classes of products in the food packaging segment, in 2003 net sales of flexible packaging materials and related systems increased 11% to $1,835.1 million compared to $1,657.2 million in 2002 and increased 4% in 2002 compared with 2001 sales of $1,592.1 million. The components of the increase in net sales for 2003 and 2002 were as follows (dollars in millions):

	Components of Increase in Net Sales:			
	Flexible Packaging Materials and Related Systems			
	2003 vs. 2002		2002 vs. 2001	
Volume — Units	2.3%	$ 38.4	4.8%	$ 75.8
Volume — Acquired Businesses	—	—	—	—
Price/Mix	2.0	34.0	(1.0)	(16.6)
Foreign Currency Translation	6.4	105.5	0.4	5.9
Total	10.7%	$ 177.9	4.2%	$ 65.1

Foreign currency translation had a favorable impact of approximately $105.5 million in 2003 for flexible materials and related systems. Excluding the positive foreign currency translation effect, net sales for flexible packaging materials and related systems would have increased 4% in 2003. Foreign currency translation had a modestly favorable impact of $5.9 million in 2002.

Net sales of rigid packaging and absorbent pads increased 17% to $350.6 million compared to $300.9 million in 2002 and increased 4% in 2002 compared with 2001 sales of $288.2 million. The components of the increase in net sales for 2003 and 2002 were as follows (dollars in millions):

	Components of Increase in Net Sales:			
	Rigid Packaging and Absorbent Pads			
	2003 vs. 2002		2002 vs. 2001	
Volume — Units	4.4%	$ 13.2	0.6%	$ 1.6
Volume — Acquired Businesses	0.8	2.4	—	—
Price/Mix	4.7	13.9	2.4	7.1
Foreign Currency Translation	6.7	20.2	1.4	4.0
Total	16.6%	$ 49.7	4.4%	$ 12.7

Foreign currency translation had a favorable impact on this segment of $20.2 million in 2003. Excluding the positive foreign currency translation effect, net sales for rigid packaging and absorbent pads would have increased 10% in 2003. Foreign currency translation had a favorable impact on this segment of $4.0 million in 2002. Excluding the positive effect of foreign currency translation, net sales would have increased 3% in 2002.

Protective and Specialty Packaging Segment Sales

Net sales of protective and specialty packaging products increased 8% to $1,346.2 million in 2003 compared to $1,246.2 million in 2002 and increased 5% in 2002 compared with 2001 sales of $1,187.2 million. Foreign currency translation had a favorable impact of $63.8 million in 2003 for this segment. Excluding the positive foreign currency translation effect, net sales for the protective and specialty packaging segment would have increased 3% in 2003. Foreign currency translation had a modestly favorable impact in 2002 of $7.3 million for the protective and specialty packaging segment. Excluding the positive foreign currency translation effect, net sales would have increased 4% in 2002.

The classes of products within the protective and specialty packaging segment are cushioning and surface protection products and other products. Net sales of other products were approximately 1% of consolidated net sales in 2003, 2002 and 2001.

Sales by Geographic Region

The components of the increase in net sales by geographic region for 2003 were as follows (dollars in millions):

	Components of Increase in Net Sales (2003 vs. 2002):					
	U.S.		International		Total Company	
Volume — Units	1.5%	$ 27.3	2.4%	$ 34.0	1.9%	$ 61.3
Volume — Acquired Businesses	0.2	4.2	0.2	3.2	0.2	7.4
Price/Mix	3.1	54.5	1.0	14.9	2.2	69.4
Foreign Currency Translation	—	—	13.1	189.5	5.9	189.5
Total	4.8%	$ 86.0	16.7%	$ 241.6	10.2%	$ 327.6

Net sales from operations in the United States represented 52% and 55% of net sales in 2003 and 2002, respectively. Net sales from U.S. operations increased 5% in 2003 to $1,844.8 million compared with $1,758.8 million in 2002. Net sales from international operations increased 17% in 2003 to $1,687.1 million compared to $1,445.5 million for 2002. Excluding the $189.5 million positive foreign currency translation effect, international net sales would have increased 4% compared to 2002.

The components of the increase in net sales by geographic region for 2002 were as follows (dollars in millions):

	Components of Increase in Net Sales (2002 vs. 2001):					
	U.S.		International		Total Company	
Volume — Units	4.8%	$ 81.3	2.5%	$ 35.2	3.8%	$ 116.5
Volume — Acquired Businesses	2.0	33.5	0.5	5.4	1.3	38.9
Price/Mix	(2.1)	(36.2)	—	0.4	(1.2)	(35.8)
Foreign Currency Translation	—	—	1.2	17.2	0.6	17.2
Total	4.7%	$ 78.6	4.2%	$ 58.2	4.5%	$ 136.8

Net sales from operations in the United States represented 55% of net sales in 2002 and 2001. Net sales from U.S. operations increased approximately 5% in 2002 to $1,758.8 million compared with $1,680.2 million for 2001. Net sales from international operations increased approximately 4% in 2002 to $1,445.5 million compared with $1,387.3 million for 2001. Excluding the $17.2 million positive effect of foreign currency translation, net sales from international operations would have increased 3% compared to 2001.

Costs and Margins

Gross profit as a percentage of net sales was 31.5% in 2003, 33.0% in 2002 and 32.3% in 2001. The decrease in 2003 compared to the 2002 period was primarily due to increased petrochemical-based raw materials costs. The increase in 2002 compared to 2001 was primarily due to higher unit volumes in both reportable business segments.

Marketing, administrative and development expenses increased 6% in 2003 and 6% in 2002. The increase in 2003 was primarily due to the impact of foreign currency and the impact of increased sales volumes partially offset by the absence of corporate projects completed during 2002. The increase in 2002 was primarily due to higher expenses for corporate projects, insurance, the effects of businesses acquired and the impact of foreign currency translation. Marketing, administrative and development expenses as a percentage of net sales were 16.3% in 2003, 16.9% in 2002 and 16.7% in 2001.

Beginning January 1, 2002, in accordance with SFAS No. 142, the Company stopped recording goodwill amortization expense in its consolidated statement of operations. Goodwill amortization expense was $57.0 million in 2001. See information incorporated by reference below under "Recently Issued Statements of Financial Accounting Standards, Accounting Guidance and Disclosure Requirements" for a discussion of this standard.

2001 Restructuring Program

During 2001, based primarily on weakening economic conditions, especially in the U.S., the Company conducted a review of its business to reduce costs and expenses, simplify business processes and organizational structure, and to refine further the Company's manufacturing operations and product offerings. As a result of this review, which the Company completed in the fourth quarter of 2001, the

Company announced and began implementing a restructuring program that resulted in charges to operations of $32.8 million for 2001. These charges consisted of the following (amounts in millions):

	Year Ended December 31, 2001
Employee termination costs	$ 23.9
Facility exit costs	1.6
Long-lived asset impairments	7.3
Total	$ 32.8

The portion of this restructuring charge related to the Company's food packaging segment was $21.1 million, and the portion applicable to the protective and specialty packaging segment was $11.7 million.

The Company originally expected to incur $25.5 million of cash outlays to carry out this restructuring program. These cash outlays primarily consisted of severance and other personnel-related costs as well as lease and other contractual arrangement termination costs. As of December 31, 2003, the Company had made total cash payments of approximately $22.9 million ($5.3 million in 2003, $11.8 million in 2002 and $5.8 million in 2001). In 2003 and 2002, the Company adjusted the 2001 cash restructuring accrual for net credits of $0.5 million and $1.3 million respectively, as discussed below. After these cash outlays and the net credits, the restructuring accrual at December 31, 2003 was $0.8 million, representing cash outlays expected to be made in 2004 and future years, primarily for severance-related costs.

The long-lived asset impairment of $7.3 million consisted of the following write-downs and write-offs (amounts in millions):

	Year Ended December 31, 2001
Property, plant and equipment	$ 3.9
Goodwill	3.3
Other long-lived assets	0.1
Total	$ 7.3

These long-lived asset impairments related to decisions to rationalize and realign production of some of the Company's small product lines and to close several manufacturing and warehouse facilities in North America, Europe, South Africa and the Asia Pacific region. The annual reduction of depreciation and amortization expense as a result of these asset impairments was $0.4 million. The Company has disposed of all of the above property, plant and equipment.

During 2003 and 2002, the Company made adjustments to the original 2001 restructuring provision, resulting in net credits to the consolidated statement of operations of $0.5 million and $1.3 million, respectively. These adjustments resulted from the completion of portions of the restructuring program for amounts different than expected, headcount reductions obtained through attrition, and, during 2002, the revision of a plan to shut down one of the Company's manufacturing facilities. The 2003 credit applicable to the Company's food packaging segment was $0.3 million, while the portion attributable to the protective and specialty packaging segment was $0.2 million. The portion of the 2002 net credit applicable to the Company's food packaging segment amounted to a credit of $2.9 million, while the portion applicable to the protective and specialty packaging segment amounted to a charge of $1.6 million.

As a result of the 2002 adjustments to the 2001 restructuring program, the Company expected a net reduction in headcount of approximately 440 positions. This program originally estimated a net

headcount reduction of approximately 470. The Company reduced the revised net headcount reduction by approximately 30 positions that were eliminated by attrition. This net reduction was based on the elimination of 677 positions from all geographic areas in which the Company does business, primarily from its manufacturing, sales and marketing functions in North America and Europe. As of December 31, 2003, all of the 677 positions estimated to be eliminated under this program had been eliminated. The Company anticipated the addition of 237 positions in connection with its realignment or relocation of manufacturing activities.

The Company estimates that it realized approximately $23.0 million in annualized cost savings on a full year run rate basis by the end of 2002. The estimated annual cost savings reflect the $0.4 million non-cash annual reduction of depreciation expense discussed above. Although some cost aspects of the original program have been adjusted, the Company has maintained original cost saving targets.

Operating Profit

Operating profit increased 4% in 2003 and 33% in 2002. Excluding goodwill amortization in 2001 of $57.0 million, operating profit would have increased 16% in 2002.

The 4% increase in 2003 was primarily due to increased net sales offset by increased cost and expenses associated with higher sales volumes, increased raw material costs and the impact of foreign currency translation.

The 33% increase in 2002 was primarily due to increased net sales, the discontinuance in 2002 of the amortization of goodwill and the restructuring and other charges incurred in 2001, while the Company recorded a restructuring credit in 2002. As a percentage of net sales, operating profit was 15.3% in 2003, 16.1% in 2002 and 12.6% in 2001. Excluding goodwill amortization in 2001, operating profit as a percentage of net sales was 14.4% in 2001.

Operating profit by business segment for 2003, 2002 and 2001 was as follows (dollars in millions):

	Year Ended December 31,

	2003	2002	2001
Food Packaging Segment	$ 361.6	$ 325.3	$ 287.7
Protective and Specialty Packaging Segment	209.5	219.4	211.0
Total segments	571.1	544.7	498.7
Restructuring and other credits	0.5	1.3	(32.8)
Unallocated corporate operating expenses	(32.4)	(29.6)	(78.5)
Total	$ 539.2	$ 516.4	$ 387.4

The food packaging segment contributed 63%, 60% and 58% of the Company's operating profit in 2003, 2002 and 2001, respectively, before taking into consideration unallocated corporate operating expenses and restructuring and other credits. The Company's protective and specialty packaging segment contributed the balance of operating profit. Unallocated corporate operating expenses in 2001 consisted primarily of goodwill amortization and also reflected global information technology costs. Unallocated corporate operating expenses in 2003 and 2002 consisted primarily of global information technology costs.

Asbestos Settlement and Related Costs

On November 27, 2002, the Company reached an agreement in principle with the appropriate parties to resolve all current and future asbestos-related claims made against the Company and its affiliates in connection with the Cryovac transaction. The settlement will also resolve the fraudulent transfer claims, as well as indemnification claims by Fresenius Medical Care Holdings, Inc. and affiliated companies,

that had been made against the Company in connection with the Cryovac transaction. On December 3, 2002, the Company's Board of Directors approved the agreement in principle. The Company received notice that both of the Committees had approved the agreement in principle as of December 5, 2002. For a description of the Cryovac transaction, asbestos-related claims and the parties involved, see Note 18 of the Notes to the Consolidated Financial Statements under the captions "Cryovac Transaction" and "Contingencies Related to the Cryovac Transaction."

The Company recorded a charge of $850.1 million as a result of the asbestos settlement in its consolidated statement of operations as of December 31, 2002. The charge consisted of the following items:

- a non-cash charge of $512.5 million covering a cash payment that the Company will be required to make upon the effectiveness of a plan of reorganization in the Grace bankruptcy. Because the Company cannot predict when a plan of reorganization may become effective, the Company recorded this liability as a current liability on the consolidated balance sheet at December 31, 2002. Under the terms of the settlement, this amount accrues interest at a 5.5% annual rate from December 21, 2002 to the date of payment. The Company has recorded this interest in interest expense in the consolidated statement of operations and in other current liabilities in the consolidated balance sheets.

- a non-cash charge of $321.5 million representing the fair market value of 9 million shares of the Company's common stock expected to be issued under the settlement upon the effectiveness of Grace's plan of reorganization. These shares are subject to customary anti-dilution provisions that adjust for the effects of stock splits, stock dividends and other events affecting the Company's common stock. The fair market value of the Company's common stock was $35.72 per share as of the close of business on December 5, 2002. The Company recorded this amount in its consolidated balance sheet at December 31, 2002, as follows: $0.9 million representing the aggregate par value of these shares in common stock reserved for issuance related to the asbestos settlement, and the remaining $320.6 million, representing the excess of the aggregate fair market value over the aggregate par value of common shares, in additional paid-in capital. The December 31, 2003 diluted earnings per common share calculation reflects the shares of common stock reserved for issuance related to the asbestos settlement.

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

Asbestos settlement and related costs in 2003 reflected legal and related fees for asbestos-related matters of $2.8 million. In 2001, asbestos settlement and related costs of $12.0 million included $8.1 million related to the Company's guarantee resulting from the Cryovac transaction of debt payable by W. R. Grace & Co. — Conn., which filed for reorganization along with its parent company Grace, and $3.9 million of legal and related fees.

Interest Expense and Other Income (Expense), net

Interest expense increased in 2003 to $134.4 million compared to $65.3 million in 2002 but decreased 15% in 2002 compared to $76.4 million in 2001. The increase in 2003 was primarily due to additional accrued interest of $27.3 million in 2003 on the cash portion of the asbestos settlement and interest paid or accrued of $44.6 million in 2003 on the senior notes discussed below that were issued in April and July 2003. The decrease in 2002 was primarily due to lower average levels of outstanding debt compared with 2001.

Other income (expense), net, consisted of income of $8.4 million in 2003, income of $7.1 million in 2002 and expense of $1.5 million in 2001. The change in 2003 compared to 2002 was primarily due to an increase in interest income of $3.4 million and lower net foreign exchange losses in 2003 compared

to the 2002 period of $1.1 million. The change in 2002 compared to 2001 was due to lower net foreign exchange losses during 2002.

Income Taxes

The Company's effective income tax rate was an expense of 36.2% in 2003, a benefit of 21.1% in 2002 and an expense of 47.3% in 2001. The change in the effective tax rate from 2002 to 2003 was primarily due to the effect of the estimated tax benefit for the asbestos settlement and related costs in 2002 and improved tax efficiency in 2003 resulting from a reorganization of the Company's international subsidiaries during 2002. The 2002 effective tax rate was lower than in 2001 due primarily to the estimated tax benefit of the asbestos settlement and its related costs and the discontinuance of goodwill amortization in 2002.

In 2003, the effective tax rate was higher than the statutory U.S. federal income tax rate primarily due to state income taxes and non-deductible expenses, offset by the lower net effective tax rate on foreign earnings. In 2002, the effective tax rate was lower than the statutory U.S. federal income tax rate primarily due to the effect of the estimated tax benefit for the asbestos settlement. In 2001, the effective tax rate was higher than the statutory U.S. federal income tax rate primarily due to the non-deductibility of goodwill amortization for tax purposes and, to a lesser extent, due to state income taxes.

The Company expects an effective tax rate of approximately 36.0% for 2004.

Net Earnings (Loss)

As a result of the factors noted above, net earnings were $240.4 million in 2003 compared to a net loss of $309.1 million in 2002, which reflected the asbestos settlement and related costs of $850.1 million. In 2001, the Company had net earnings of $156.7 million. Excluding goodwill amortization of $57.0 million in 2001, net earnings would have been $213.7 million.

Earnings (Loss) per Common Share

Basic earnings (loss) per common share were $2.21 for 2003, $(4.20) for 2002 and $1.30 for 2001. Diluted earnings (loss) per common share were $2.00 for 2003, $(4.30) for 2002 and $1.22 for 2001. Excluding goodwill amortization in 2001, basic earnings per common share would have been $1.99 and diluted earnings per common share would have been $1.89 in 2001.

On July 18, 2003, the Company redeemed all of the outstanding shares of its Series A convertible preferred stock at a redemption price of $51.00 per share. The Company also paid accrued dividends on the preferred stock from July 1, 2003 through July 17, 2003 in the aggregate amount of $2.40 million. The $51.00 per share redemption price included a $1.00 per share redemption premium, or an aggregate premium of $25.5 million, and is reflected in basic earnings per common share.

Gains attributable to the repurchase of preferred stock for 2003, 2002 and 2001 were $0.8, $10.3 and $7.4 million, respectively, and are reflected in basic earnings (loss) per common share for these years.

For the purpose of calculating diluted earnings (loss) per common share for 2002 and 2001, the Company has adjusted net earnings ascribed to common shareholders to exclude the gains attributable to the repurchase of preferred stock and to add back dividends attributable to such repurchased preferred stock and has adjusted the weighted average common shares outstanding to assume conversion of the shares of preferred stock repurchased during these periods in accordance with the FASB's Emerging Issues Task Force Topic D-53 guidance.

In calculating diluted earnings per common share, the Company's calculation of the weighted average number of common shares for 2003 assumes the issuance of nine million shares of common stock

reserved for the asbestos settlement (as described in Note 18 to the Consolidated Financial Statements under the caption "Asbestos Settlement and Related Costs"), and the exercise of dilutive stock options, net of assumed treasury stock repurchases. For 2002 and 2001, the calculation of weighted average number of common shares assumes the effect of the weighted average conversion of repurchased shares of preferred stock. The Company did not assume the outstanding preferred stock had been converted in the calculation of diluted (loss) earnings per common share in 2002 and 2001, because the treatment of the preferred stock as the common stock into which it could have been converted would have been anti-dilutive, as conversion would have reduced the loss per common share or increased earnings per common share in those years. The Company did not reflect the shares of common stock reserved for issuance for the asbestos settlement in the 2002 loss per common share calculation since the effect would have been anti-dilutive.

Liquidity and Capital Resources

The discussion that follows contains:

- a description of the Company's material commitments and contingencies,
- a description of the Company's principal sources of liquidity,
- a description of the Company's outstanding indebtedness,
- an analysis of the Company's historical cash flows,
- a description of the Company's derivative financial instruments,
- a description of the Company's Series A convertible preferred stock, which it redeemed in July 2003,
- a description of the Company's shareholders' equity, and
- a description of the Company's critical accounting policies and estimates.

Material Commitments and Contingencies

Asbestos Settlement; Contingencies Related to the Cryovac Transaction

The Company recorded a charge of $512.5 million in the fourth quarter of 2002 covering the cash payment that the Company is required to make upon the effectiveness of a plan of reorganization in the bankruptcy of W. R. Grace & Co. The Company did not use cash in 2003 or 2002 with respect to this liability, and the Company cannot predict when it will be required to make this payment. The Company currently expects to fund this payment by using a combination of accumulated cash and future cash flows from operations, funds available under its $350.0 million unsecured multi-currency credit facility or its accounts receivable securitization program, both described below, or a combination of these alternatives.

The Company is subject to other contingencies related to the Cryovac transaction. Note 18, "Commitments and Contingencies," of the Notes to the Consolidated Financial Statements, which is contained in Item 8 of Part II of this Annual Report on Form 10-K, describes these contingencies under "Contingencies Related to the Cryovac Transaction" and is incorporated herein by reference.

Contractual Commitments

The following table summarizes the Company's material contractual obligations at December 31, 2003 and sets forth the amounts of required cash outlays in 2004 and future years (amounts in millions):

	Payments Due by Period				
	Total	2004	2005-2006	2007-2008	Thereafter
Short-term borrowings	$ 18.2	$ 18.2	$ —	$ —	$ —
Current portion of long-term debt	2.4	2.4	—	—	—
Long-term debt, exclusive of debt discounts	2,268.0	—	253.2	480.0	1,534.8
Total debt(1)	2,288.6	20.6	253.2	480.0	1,534.8
Operating leases	98.2	27.2	37.6	23.2	10.2
Cash portion of the asbestos settlement, including accrued interest as of December 31, 2003(2)	541.6	541.6	—	—	—
Long-term equipment purchases for resale	18.9	3.9	9.5	5.5	—
Telecommunications and network agreement	12.9	2.4	7.0	3.5	—
Raw material contingent payment	8.4	—	—	—	8.4
Raw material supply agreement	6.0	6.0	—	—	—
Total contractual cash obligations	$ 2,974.6	$ 601.7	$ 307.3	$ 512.2	$ 1,553.4

(1) Includes principal maturities (at face value) only.

(2) This liability is reflected as a current liability due to the uncertainty of the timing of payment (as discussed below). Interest accrues on this amount at a rate of 5.5% per annum until it becomes due and payable. The asbestos settlement is described more fully in "Asbestos Settlement; Contingencies Related to the Cryovac Transaction" above.

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 some of the facilities that it occupies and some production equipment, most of which are accounted for as operating leases. The contractual operating lease obligations listed in the table above represent estimated future minimum annual rental commitments under non-cancelable real and personal property leases as of December 31, 2003. The long-term debt shown in the above table excludes unamortized bond discounts as of December 31, 2003 and, therefore, represents the principal amount of the debt required to be repaid in each period.

The Company has the following long-term contractual commitments:

- Approximately $18.9 million for the purchase of equipment over a five-year period which began in 2003, together with a potential termination fee in an amount to be determined. The Company's obligation is reduced or increased based on market price changes for the equipment and changes in the Packaging Machinery Manufacturers Index. Failure to purchase any of the minimum annual requirements in any year obligates the Company to pay an amount of 45% of such shortfall. During 2003 the Company did not meet the minimum equipment purchase requirements and recorded a charge of $1.0 million.
- Approximately $12.9 million minimum commitment for the purchase of telecommunications and network capacity and services over a four-year period that began in 2004.
- Approximately $8.4 million to a supplier if the Company fails to purchase 126.3 million pounds of specified raw materials, at the then current market price, over a ten-year period that began in May 2002. The amount of the potential contingent payment declines in proportion to the Company's purchase of minimum quantities required under the contract. At December 31, 2003,

the Company's purchases were in line with the minimum quantity requirements under the agreement.

- Approximately $6.0 million to a raw material supplier under an agreement that provides that the Company commits to purchase a specified quantity of raw materials at a fixed price through 2004.

Interest Payments

During 2003 and 2002, the Company paid approximately $84.3 million and $72.6 million, respectively, in interest payments. The Company currently expects to pay approximately $110 million to $125 million in interest payments in 2004. The actual interest paid will be different from this amount if the Company repurchases existing indebtedness, issues additional indebtedness, incurs indebtedness under its lines of credit or enters into additional interest rate swap transactions. In addition, such amount does not reflect any accrued interest related to the asbestos settlement.

Income Tax Payments

During 2003 and 2002, the Company paid approximately $161.3 million and $165.1 million, respectively, in income tax payments. The Company currently expects to pay between $135 million and $150 million in income tax payments in 2004.

Contributions to Defined Benefit Pension Plans

The Company maintains defined benefit pension plans for a limited number of its U.S. and for many of its non-U.S. employees. During 2003 and 2002, the Company paid approximately $9.1 million and $14.8 million, respectively, in employer contributions to these defined benefit pension plans.

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. The Company does not believe that it is reasonably possible that its liability in excess of the amounts that it has accrued for environmental matters will be material to its consolidated statements of operations, balance sheets or cash flows. Environmental liabilities are reassessed whenever circumstances become better defined or remediation efforts and their costs can be better estimated. The Company evaluates these liabilities periodically based on available information, including the progress of remedial investigations at each site, the current status of discussions with regulatory authorities regarding the methods and extent of remediation and the apportionment of costs among potentially responsible parties. As some of these issues are decided (the outcomes of which are subject to uncertainties) or new sites are assessed and costs can be reasonably estimated, the Company adjusts the recorded accruals, as necessary. The Company believes that these exposures are not material to its consolidated results of operations and balance sheets. The Company believes that it has adequately reserved for all probable and estimable environmental exposures.

Principal Sources of Liquidity

Accumulated Cash and Cash Equivalents

As of December 31, 2003 and 2002, the Company had accumulated cash and cash equivalents of approximately $365.0 million and $126.8 million, respectively.

Cash Flows from Operations

The Company expects that it will continue to generate significant cash flows from operations. See "Analysis of Historical Cash Flows" below.

Revolving Credit Facilities

The 2006 Facility. On December 19, 2003, the Company entered into a new $350.0 million unsecured multi-currency revolving credit facility that matures in 2006. The Company did not borrow under the 2006 facility at its inception, and no borrowings were outstanding as of December 31, 2003.

The 2006 facility provides that the Company may borrow for working capital and general corporate purposes, including payment of a portion of the $512.5 million cash payment required to be paid upon the effectiveness of an appropriate plan of reorganization in the Grace bankruptcy. See Note 18 for further discussion of this matter. The Company may re-borrow amounts repaid under the 2006 facility from time to time prior to the expiration or earlier termination of the facility. As of December 31, 2003, facility fees were payable at the rate of 0.15% per annum on the total amounts available under the 2006 facility.

The Company's obligations under the 2006 facility bear interest at floating rates, which are generally determined by adding the applicable borrowing margin to the base rate or the interbank rate for the relevant currency and time period. The 2006 facility provides for changes in borrowing margins based on the Company's long-term senior unsecured debt ratings.

The 2006 facility provides that, upon the occurrence of specified events that would adversely affect the settlement agreement in the Grace bankruptcy proceedings or would materially increase the Company's liability in respect of the Grace bankruptcy or the asbestos liability arising from the Cryovac transaction, the Company would be required to repay any amounts outstanding under the 2006 facility, or refinance the facility, within 60 days.

The 2003 Facility. At December 31, 2002, the Company's principal revolving credit facility was a $525.0 million facility that the Company allowed to expire in accordance with its terms on March 30, 2003. There were no borrowings outstanding under the 2003 facility as of December 31, 2002.

ANZ Facility. In March 2002, the Company entered into an Australian dollar 175.0 million, which was equivalent to U.S. $128.4 million at December 31, 2003, dual-currency revolving credit facility that expires on March 12, 2005, known as the "ANZ facility." A syndicate of banks made this facility available to a group of the Company's Australian and New Zealand subsidiaries for general corporate purposes and the refinancing of previously outstanding indebtedness. The Company may re-borrow amounts repaid under the ANZ facility from time to time prior to the expiration or earlier termination of the facility. No amounts were outstanding under the ANZ facility at December 31, 2003.

Accounts Receivable Facility

In December 2001, the Company and a group of its U.S. subsidiaries entered into an accounts receivable securitization program with a bank and an issuer of commercial paper administered by the bank. The Company considers that the receivables facility provides a source of short-term liquidity.

Under the receivables facility, the Company's two primary operating subsidiaries, Cryovac, Inc. and Sealed Air Corporation (US), sell all of their eligible U.S. accounts receivable to Sealed Air Funding Corporation, an indirectly wholly-owned subsidiary of the Company that was formed for the sole purpose of entering into the receivables facility. Sealed Air Funding in turn may sell undivided ownership interests in these receivables to the bank and the issuer of commercial paper, subject to specified conditions, up to a maximum of $125.0 million of receivables interests outstanding from time to time.

Sealed Air Funding retains the receivables it purchases from the operating subsidiaries, except those as to which it sells receivables interests to the bank or the issuer of commercial paper. The Company has structured the sales of accounts receivable by the operating subsidiaries to Sealed Air Funding, and the sales of receivables interests from Sealed Air Funding to the bank and the issuer of commercial paper, as "true sales" under applicable laws. The assets of Sealed Air Funding are not available to pay any creditors of the Company or of its subsidiaries or affiliates. The Company accounts for these transactions as sales of receivables under the provisions of SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities."

To secure the performance of their obligations under the receivables facility, Sealed Air Funding and the operating subsidiaries granted a first priority security interest to the bank, as agent, in accounts receivable owned by them, proceeds and collections of those receivables and other collateral. The bank and the issuer of commercial paper have no recourse to the Company's, the operating subsidiaries' or Sealed Air Funding's other assets for any losses resulting from the financial inability of customers to pay amounts due on the receivables when they become due. As long as a termination event with respect to the receivables facility has not occurred, the operating subsidiaries service, administer and collect the receivables under the receivables facility as agents on behalf of Sealed Air Funding, the bank and the issuer of commercial paper. Prior to a termination event under the receivables facility, Sealed Air Funding uses collections of receivables not otherwise required to be paid to the bank or the issuer of commercial paper to purchase new eligible receivables from the operating subsidiaries. The Company has undertaken to cause the operating subsidiaries to perform their obligations under the receivables facility.

The scheduled expiration date for the receivables facility is December 7, 2004. The parties amended the receivables facility on April 2, 2003 to provide that Sealed Air Funding could sell receivables interests aggregating up to $60.0 million, originated only by Sealed Air Corporation (US), to the bank or the issuer of commercial paper until a definitive asbestos settlement agreement, satisfactory to the bank, had been entered into. The receivables facility again became available for the sale of receivables interests originated by Cryovac, Inc. as well as Sealed Air Corporation (US), up to the original maximum of $125.0 million of receivables interests provided for by the receivables facility, on January 26, 2004.

The parties also amended the receivables facility on April 2, 2003 to exclude the charge for the asbestos litigation settlement reflected in the Company's consolidated statement of operations for the year ended December 31, 2002 from the calculation of the interest coverage and leverage ratios provided for in the receivables facility. The Company must comply with these interest coverage and leverage ratio covenants contained in the receivables facility in order to use the facility. The Company was in compliance with these ratios at December 31, 2003.

Under limited circumstances, the bank and the issuer of commercial paper can terminate purchases of receivables interests prior to the above dates. A downgrade 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., or failure to comply with interest coverage and debt leverage ratios, could result in termination of the receivables facility. In connection with recording the accounting charge in the fourth quarter of 2002 for the asbestos settlement and related costs, the Company requested and received a waiver of compliance with the interest coverage and leverage ratios provided for in the receivables facility. After reflecting this waiver, the Company was in compliance with the requirements of the receivables facility as of December 31, 2002.

The operating subsidiaries did not sell any receivables interests under the receivables facility during 2003 and, therefore, the Company did not remove any related amounts from the consolidated assets reflected on the Company's consolidated balance sheet at December 31, 2003.

During 2002, Sealed Air Funding sold receivables interests to the issuer of commercial paper from time to time; however, as of December 31, 2002, neither the bank nor the issuer of commercial paper held any receivables interests and no related amounts were removed from the consolidated balance sheet at December 31, 2002.

The receivables facility provides for the monthly payment of program fees which currently are 0.375% per annum (0.45% per annum at December 31, 2003) on the receivables interests sold by Sealed Air Funding and commitment fees which currently are 0.375% per annum (0.40% per annum at December 31, 2003) on the unused portion of the $125.0 million receivables facility.

The costs associated with the receivables facility are reflected in other income (expense), net, in the Company's consolidated statements of operations for the years ended December 31, 2003, 2002 and 2001. These costs primarily relate to the loss on the sale of the receivables interests to the bank or the issuer of commercial paper, which were approximately zero for 2003, $0.4 million for 2002 and $0.1 million for 2001, and program and commitment fees and other associated costs, which were approximately $0.6 million, $0.4 million and $0.3 million for 2003, 2002 and 2001, respectively.

Lines of Credit

Substantially all the Company's short-term borrowings of $18.2 million and $53.4 million at December 31, 2003 and 2002, respectively, 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, 2003 and 2002 were approximately $215.3 million and $209.0 million, respectively, of which approximately $197.0 million and $155.0 million, respectively, were unused.

At December 31, 2003 and 2002, the Company had available committed and uncommitted lines of credit, including the credit lines discussed above, of $693.7 million and $832.0 million, respectively, of which $675.4 million and $721.0 million were unused. As of December 31, 2003 and 2002, the total available lines of credit included committed lines of credit of $479.2 million and $832.0 million, respectively, and uncommitted lines of credit of $214.5 million and $210.0 million, respectively. The Company's principal credit lines were all committed and consisted of the 2006 facility at December 31, 2003, the 2003 facility at December 31, 2002 and the ANZ facility at both dates. The Company is not subject to any material compensating balance requirements in connection with its lines of credit.

Debt Ratings

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 (stable outlook) by Moody's Investors Services, Inc. and BBB (negative outlook) by Standard & Poor's Rating Services, a division of the McGraw-Hill Companies. 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.

Outstanding Indebtedness

At December 31, 2003 and 2002, the Company's total debt outstanding consisted of the amounts set forth on the following table (amounts in millions):

	December 31, 2003	December 31, 2002
Short-term borrowings and current portion of long-term debt:		
Short-term borrowings	$ 18.2	$ 53.4
Current portion of long-term debt	2.4	2.0
Total current debt	20.6	55.4
Long-term debt, less current portion:		
5.625% Euro Notes due July 2006, less unamortized discount of $0.7 in 2003 and $0.8 in 2002(1)	248.0	205.2
8.75% Senior Notes due July 2008, (plus) less unamortized discount and interest rate swaps of $(4.0) in 2003 and $1.2 in 2002	181.5	298.8
6.95% Senior Notes due May 2009, less unamortized discount of $1.1 in 2003 and $1.6 in 2002	248.9	298.5
5.375% Senior Notes due April 2008, less unamortized discount and interest rate swaps of $7.5 in 2003	292.5	—
5.625% Senior Notes due July 2013, less unamortized discount of $1.3 in 2003(2)	398.7	—
6.875% Senior Notes due July 2033, less unamortized discount of $1.6 in 2003(2)	448.4	—
3% Convertible Senior Notes due June 2033(2)	431.3	—
ANZ Credit Facility	—	57.5
Other	10.5	8.0
Total long-term debt, less current portion	2,259.8	868.0
Total debt	$ 2,280.4	$ 923.4

(1) The carrying value of the euro notes increased approximately $42.5 million in 2003, primarily as a result of the strengthening of the euro compared to the U.S. dollar during 2003.

(2) The Company used an aggregate of $1,298.1 million from the proceeds of these offerings and additional cash on hand to redeem the outstanding shares of its Series A convertible preferred stock.

Senior Notes Issued in July 2003; Recapitalization

In July 2003, the Company issued a total of $1,281.3 million of senior notes in transactions exempt from registration in reliance upon Rule 144A and other available exemptions under the Securities Act of 1933, as amended. On July 18, 2003, the Company used the net proceeds from these offerings and additional cash on hand to redeem its Series A convertible preferred stock at the redemption price of $51.00 per share, for which the Company used $1,298.1 million of cash, plus an amount equal to dividends accrued from July 1, 2003 through July 17, 2003, for which the Company used $2.4 million of cash. As discussed in "Analysis of Historical Cash Flows — Repurchases of Capital Stock" below and Note 15 to the Company's Consolidated Financial Statements, the Company had previously repurchased an aggregate of 750,600 shares of its Series A convertible preferred stock during 2003, prior to the July 18, 2003 redemption. As discussed in "Analysis of Historical Cash Flows — Debt Repurchase" below and Note 12 to the Company's Consolidated Financial Statements, the Company

subsequently used net cash of $208.2 million to repurchase an aggregate of $172.5 million of its senior notes and to terminate related interest rate swaps.

The senior note offerings consisted of the following:

- $400.0 million aggregate principal amount of 5.625% senior notes due July 15, 2013. Accrued interest on the 5.625% senior notes is payable semi-annually in arrears on January 15 and July 15 of each year, commencing on January 15, 2004. The net proceeds from this issuance, after deducting the initial purchasers' discount, unamortized bond discount and other offering expenses, were $395.6 million. The carrying value of these notes at December 31, 2003 was $398.7 million, net of unamortized discount.

- $450.0 million aggregate principal amount of 6.875% senior notes due July 15, 2033. Accrued interest on the 6.875% senior notes is payable semi-annually in arrears on January 15 and July 15 of each year, commencing on January 15, 2004. The net proceeds from this issuance, after deducting the initial purchasers' discount, unamortized bond discount and other offering expenses, were $444.0 million. The carrying value of these notes at December 31, 2003 was $448.4 million, net of unamortized discount.

- $431.3 million aggregate principal amount of 3% convertible senior notes due June 30, 2033. Accrued interest on the 3% convertible senior notes is payable semi-annually in arrears on June 30 and December 30 of each year, commencing on December 30, 2003. The net proceeds from this issuance, after deducting the initial purchasers' discount and other offering expenses, were $421.5 million. The carrying value of these notes at December 31, 2003 was $431.3 million.

  Holders of the convertible senior notes may convert those notes into shares of the Company's common stock at a conversion rate of 14.2857 shares per $1,000 principal amount of the notes, which is equivalent to a conversion price of $70.00 per share, subject to anti-dilution adjustments, before the close of business on June 30, 2033. Holders may convert their convertible senior notes only under the following circumstances: (1) during any calendar quarter, if the closing sale price of the Company's common stock exceeds 120% of the conversion price for at least 20 trading days in the 30 consecutive trading days ending on the last trading day of the preceding calendar quarter; (2) during any period in which (i) the long-term credit rating assigned to the notes by Standard & Poor's Rating Services, a division of the McGraw-Hill Companies, or Moody's Investors Services, Inc. is lower than BB+ or Ba2, respectively, (ii) either Standard & Poor's or Moody's no longer rates the notes or has withdrawn or suspended this rating, or (iii) the notes are not assigned a rating by both Standard & Poor's and Moody's; (3) during the five business day period immediately after any five consecutive trading day period in which the trading price per $1,000 principal amount of notes for each day of that period was less than 98% of the product of the closing sale price of the Company's common stock and the conversion rate; (4) if the notes have been called for redemption; or (5) upon the occurrence of specified corporate events. None of these circumstances that would allow for conversion of the notes has arisen at any time since their issuance.

  The Company has the option to redeem the 3% convertible senior notes beginning July 2, 2007 at a price equal to 101.286% of their aggregate principal amount, declining ratably to 100% of their aggregate principal amount on June 30, 2010.

  The holders of the 3% convertible senior notes have the option to require the Company to repurchase the 3% convertible senior notes on June 30 of 2010, 2013, 2018, 2023 and 2028, or upon the occurrence of a fundamental change in or a termination of trading of the Company's common stock, at a price equal to 100% of their principal amount, plus accrued and unpaid interest.

In connection with the issuance of the 3% convertible senior notes, on September 5, 2003, the Company filed a registration statement on Form S-3 with the Securities and Exchange Commission to register for resale the 6,160,708 shares of the Company's common stock issuable, subject to anti-dilution adjustments, upon conversion of the notes. The registration statement became effective on January 23, 2004.

5.375% Senior Notes

On April 14, 2003, the Company issued $300.0 million aggregate principal amount of 5.375% senior notes due April 2008 in transactions exempt from registration in reliance upon Rule 144A and other available exemptions under the Securities Act. Accrued interest on these senior notes is payable semi-annually in arrears on April 15 and October 15 of each year, commencing on October 15, 2003. The net proceeds from the issuance of these senior notes after deducting the initial purchasers' discount, unamortized bond discount and other offering expenses were $296.1 million.

The carrying value of these notes at December 31, 2003 was $292.5 million, net of unamortized discount and an adjustment to record a decrease in the fair value of the 5.375% senior notes of $6.1 million due to changes in interest rates related to interest rate swaps the Company has entered into with respect to these notes.

The Company may from time to time continue to repurchase or otherwise retire its outstanding indebtedness.

Covenants

Each issue of the Company's outstanding senior notes and the Company's outstanding euro notes imposes limitations on the Company's operations and those of specified subsidiaries. The principal limitations restrict liens, sale and leaseback transactions and mergers, acquisitions and dispositions. The 2006 facility contains financial covenants relating to interest coverage, debt leverage and minimum liquidity and restrictions on the creation of liens, the incurrence of additional indebtedness, acquisitions, mergers and consolidations, asset sales, and amendments to the asbestos settlement agreement discussed above. The ANZ facility contains financial covenants relating to debt leverage, interest coverage and tangible net worth and restrictions on the creation of liens, the incurrence of additional indebtedness and asset sales. The Company was in compliance with these limitations at December 31, 2003. The 2003 facility had similar covenants to those of the ANZ facility. In connection with recording the accounting charge in the fourth quarter of 2002 for the asbestos settlement and related costs (see Note 18 of the Notes to the Consolidated Financial Statements), the Company requested and received a waiver of compliance with the interest coverage and leverage ratios provided for in the 2003 facility. After reflecting such waiver, the Company was in compliance with all applicable requirements of each of the above instruments as December 31, 2002.

Analysis of Historical Cash Flows

Net Cash Provided by Operating Activities

Net cash provided by operating activities was $469.7 million in 2003, $323.9 million in 2002 and $578.7 million in 2001. The increase in 2003 compared with 2002 was primarily due to the following:

- changes in the accounts receivable facility, which is described below**;**

and:

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

The decrease in 2002 compared with 2001 was primarily due to the following:

- changes in the accounts receivable facility, which is described below; and
- changes in operating assets and liabilities in the ordinary course of business, as discussed below under "Changes in Working Capital;"

partially offset by:

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

In the fourth quarter of 2001, the Company sold receivables interests totaling $95.6 million to the financial institutions participating in the Company's accounts receivable facility, which is described below. Such receivables interests were not replaced with additional receivables interests in 2002. As a result, the Company recorded cash provided by operating activities totaling $95.6 million in 2001 and an equal and offsetting reduction in the net cash provided by operating activities in 2002. The financial institutions participating in the accounts receivable facility held no receivables interests at the beginning or end of 2003. Therefore, the accounts receivables facility had no effect on net cash provided by operating activities in 2003.

Net Cash Used in Investing Activities

Net cash used in investing activities amounted to $123.4 million in 2003, $96.9 million in 2002 and $177.9 million in 2001. In each year, investing activities consisted primarily of capital expenditures and acquisitions. The increase in net cash used in these activities in 2003 was due to higher capital expenditures. The decrease in net cash used in these activities in 2002 was due to lower levels of capital expenditures and, to a lesser extent, acquisitions. Cash used to complete acquisitions was $2.5 million in 2003, $10.5 million in 2002 and $36.0 million in 2001. In each year, cash used for acquisitions was net of cash acquired in those acquisitions. Cash acquired in acquisitions was not material in 2003, 2002 or 2001. The Company did not assume any debt in acquisitions in 2003 or 2002. In 2001, the Company assumed approximately $19.0 million of debt in acquisitions.

Capital Expenditures

Capital expenditures were $124.3 million in 2003, $91.6 million in 2002 and $146.3 million in 2001. Capital expenditures for the Company's food packaging segment amounted to $86.2 million, $61.8 million and $103.8 million and for the protective and specialty packaging segment amounted to $38.1 million, $29.8 million and $42.4 million in 2003, 2002 and 2001, respectively.

The increase in capital expenditures in 2003 was primarily due to spending related to construction of new plants in the United States and Eastern Europe. The decrease in capital expenditures in 2002 was primarily due to improved productivity of existing assets, which allowed the Company to defer spending on incremental capacity. The Company expects to continue to make capital expenditures as it deems appropriate to expand its business, replace depreciating property, plant and equipment and invest in more efficient capacity and productivity gains. The Company currently anticipates that capital expenditures for the year ended December 31, 2004 will be in the range of $125 million to $150 million. The Company's projection of capital expenditures for 2004 is based upon its capital expenditure budget for 2004, the status of approved but not yet completed capital projects, anticipated future projects and historic spending trends.

Net Cash Used in Financing Activities

Net cash used in financing activities amounted to $108.9 million in 2003, $101.5 million in 2002 and $402.6 million in 2001.

The increase in net cash used in financing activities in 2003 compared with 2002 was primarily due to the following:

- cash of $1,298.1 million used in 2003 to redeem all of the outstanding shares of Series A convertible preferred stock on July 18, 2003, as discussed above;
- cash of $208.2 used to repurchase debt in December 2003, as discussed below;
- an increase of $7.9 million in 2003 compared with 2002 in cash used to purchase the Company's Series A convertible preferred stock, as discussed below;

partially offset by:

- net cash proceeds of $1,557.2 million from issuance of the 5.375% senior notes in April 2003 and of the 5.625% senior notes, the 6.875% senior notes and the 3% convertible senior notes in July 2003, as discussed above;
- decrease in net debt repayments in the 2003 period of $212.0 million; and
- net proceeds of $13.9 million in 2003 from the Company's termination of U.S. Treasury lock agreements that were entered into to manage interest rate risks arising from the then-planned issuance of the 5.375% senior notes, the 5.625% senior notes and the 6.875% senior notes, as described more fully in "Derivative Financial Instruments" below.

The change in financing activities in 2002 compared with 2001 was primarily due to the following:

- net debt repayments of $35.8 million in 2002 compared to $312.9 million in 2001. During 2001, the Company repaid all amounts outstanding under a former revolving credit facility and most of the borrowings under the 2003 facility, which resulted in lower outstanding bank borrowings at December 31, 2001. All remaining borrowings under the 2003 facility were paid off during 2002; and
- a timing difference relating to the payment of dividends on the Company's outstanding Series A convertible preferred stock arising from the Company's pre-funding in December 2001 of the dividend payable on January 2, 2002;

partially offset by:

- an increase in cash used of $10.1 million to repurchase shares of the Company's preferred stock.

Repurchases of Capital Stock

During 2003, 2002 and 2001, the Company repurchased 750,600 shares of its Series A convertible preferred stock at a cost of $36.7 million, 782,500 shares of its preferred stock at a cost of approximately $28.8 million, and 524,220 shares of its preferred stock at a cost of approximately $18.8 million, respectively. The average price per share of these preferred stock repurchases was $48.94, $36.85 and $35.78 in 2003, 2002 and 2001, respectively. As discussed in "Outstanding Indebtedness — Senior Notes Issued in July 2003; Recapitalization" above and Notes 12 and 15 to the Company's Consolidated Financial Statements, in July 2003 the Company issued $1,281.3 million of senior notes. The Company used an aggregate of $1,298.1 million from the proceeds of these offerings and additional cash on hand to redeem the outstanding shares of its Series A convertible preferred stock.

The share repurchases described above were made under a program previously adopted by the Company's Board of Directors. The share repurchase program authorized the repurchase of up to approximately 16,977,000 shares of common stock, which included Series A convertible preferred stock on an as-converted basis prior to its redemption. As of December 31, 2003, the Company had repurchased approximately 10,116,000 shares of common stock and preferred stock on an as-converted

basis, and the remaining repurchase authorization covered approximately 6,861,000 shares of common stock. The Company may from time to time continue to repurchase its capital stock.

Debt Repurchase

In December 2003, the Company used net cash of $208.2 million to repurchase in the open market $122.5 million face amount of its 8.75% senior notes and $50.0 million face amount of its 6.95% senior notes and to terminate interest rate swaps on the 8.75% senior notes with a total notional amount of $100.0 million. The net cash used of $208.2 million consisted of cash used to purchase the senior notes at a premium plus accrued interest and related fees of $208.9 million and cash received of $0.7 million related to the termination of the interest rate swaps. These repurchases were made at premiums to the face amounts of the notes and, therefore, resulted in a loss of $33.6 million, which the Company reflected in the statement of operations as "Loss on debt repurchase." The Company may from time to time continue to repurchase or otherwise retire its outstanding indebtedness.

Changes in Working Capital

At December 31, 2003, working capital (current assets less current liabilities) was a net asset of $237.4 million compared to a net liability of $96.5 million at December 31, 2002. The net liability position in working capital at the end of December 2002 was primarily due to recording the $512.5 million cash portion of the asbestos settlement liability as a current liability at December 31, 2002.

The increase in the Company's net asset for working capital during 2003 arose primarily from the following changes:

- increase of $41.8 million in inventories, primarily due to $30 million from the effects of foreign currency translation, increased petrochemical-based raw materials costs from December 31, 2002 and quantity increases in the ordinary course of business;
- increase in cash and cash equivalents primarily due to the net cash proceeds of $296.1 million from the April 2003 issuance of the 5.375% senior notes, described above, cash flows generated from operations and the net proceeds of $1,261.1 million from the July 2003 issuance of three series of senior notes, partially offset by $1,298.1 million of cash used for the redemption of the Company's Series A convertible preferred stock;
- increase of $68.4 million in notes and accounts receivable primarily due to $50.9 million from the positive effects of foreign currency translation and, to a lesser extent, an increase in net sales (excluding foreign exchange) during the fourth quarter of 2003 compared to the fourth quarter of 2002; and
- decrease in short-term borrowings primarily due to net repayments;

partially offset by:

- increase of $24.7 million in accounts payable primarily due to $16.0 million from the effects of foreign currency translation and, to a lesser extent, due to the timing of payments to vendors and the increased levels of inventory as discussed above; and
- increase in other current liabilities, primarily due to the following:
  - increase in accrued interest of $27.3 million related to the asbestos settlement liability, $9.9 million from the issuance in April 2003 of the 5.375% senior notes and $32.6 million from the July 2003 issuance of senior notes; partially offset by
  - decrease of $13.3 in accrued preferred dividends since all of the outstanding shares of Series A convertible preferred stock were redeemed on July 18, 2003, as discussed above.

Current and Quick Ratios

The ratio of current assets to current liabilities, known as the current ratio, was 1.2 at December 31, 2003 and 0.9 at December 31, 2002. The ratio of current assets less inventory to current liabilities, known as the quick ratio, was 0.9 at December 31, 2003 and 0.6 at December 31, 2002.

Derivative Financial Instruments

U.S. Treasury Lock Agreements

During the three months ended June 30, 2003, the Company entered into U.S. Treasury lock agreements with a total notional amount of $700.0 million that qualified and were designated as cash flow hedges. U.S. Treasury lock agreements are instruments used to manage the risks associated with movements in U.S. Treasury rates. The Company entered into these agreements to manage interest rate risks arising from the planned issuance of the 5.375% senior notes in April 2003 and the planned issuance of the 5.625% senior notes and the 6.875% senior notes in July 2003 (see Note 12). The Company terminated these U.S. Treasury lock agreements prior to June 30, 2003 and received net cash proceeds of $13.9 million. The Company has reflected this amount in other comprehensive income and is amortizing and reflecting it as a net reduction of interest expense over the lives of the respective senior notes. At December 31, 2003, the Company was not party to any U.S. Treasury lock agreements.

Interest Rate Swaps

During 2003, the Company entered into interest rate swaps with a total notional amount of $500.0 million that qualify and were designated as fair value hedges. The interest rate swaps were entered into in order to convert a portion of the 5.375% senior notes and the 8.75% senior notes into floating rate debt.

In connection with the Company's repurchase of a portion of the 8.75% senior notes in December 2003, the Company terminated interest rate swaps with a total notional amount of $100.0 million and received net cash proceeds of $0.7 million.

At December 31, 2003, the Company recorded the following adjustments to long-term debt:

- an adjustment to record a decrease in the fair value of the 5.375% senior notes due to changes in interest rates of $6.1 million and an offsetting adjustment to other liabilities to record the fair value of the related interest rate swaps; and
- an adjustment to record an increase in the fair value of the 8.75% senior notes due to changes in interest rates of $3.8 million and an offsetting adjustment to other assets to record the fair value of the related interest rate swaps.

The Company also reduced interest expense $4.2 million for the year ended December 31, 2003, due to the impact of interest rate swaps that were outstanding during the year.

Foreign Currency Forward Contracts

At December 31, 2003, the Company was party to foreign currency forward contracts, which did not have a significant impact on the Company's liquidity.

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

Series A Convertible Preferred Stock

Prior to its redemption in July 2003, the Company's Series A convertible preferred stock was listed on the New York Stock Exchange and was convertible at any time into approximately 0.885 of a share of

common stock for each share of preferred stock. The holders of these shares voted with the holders of the common stock on an as-converted basis and were entitled to receive cumulative cash dividends, when and as declared by the Board of Directors, at an annual rate of $2.00 per share, payable quarterly in arrears on the first business day of the succeeding calendar quarter. The Series A convertible preferred stock ranked senior to the Company's common stock and junior to the Company's indebtedness.

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

Shareholders' Equity

The Company's shareholders' equity was $1,123.6 million at December 31, 2003, $813.0 million at December 31, 2002, and $850.2 million at December 31, 2001.

Shareholders' equity increased in 2003 principally due to the following:

- net earnings of $240.4 million;
- reduction of foreign currency translation adjustment of $75.2 million;
- conversion of preferred stock into common stock of $16.9 million;
- the net effect of transactions under the Company's contingent stock plan of $8.3 million;
- the exercise of stock options granted prior to the Cryovac transaction under the Company's stock option plans of $4.7 million;
- unrecognized gain on derivative instruments of $8.0 million, net of income tax, related to the termination of the Company's U.S. Treasury lock agreements discussed above; and
- the Company's contribution of its common stock to its profit sharing plan of $9.8 million;

partially offset by:

- the Company's redemption of its Series A convertible preferred stock at its redemption price of $51.00 per share, which included a $1.00 per share redemption premium, or $25.5 million in the aggregate; and
- Series A convertible preferred stock dividends of $28.6 million.

Shareholders' equity decreased in 2002 principally due to the following:

- a reduction in retained earnings arising from the Company's net loss of $309.1 million and the payment of preferred stock dividends of $53.8 million; and
- foreign currency translation adjustments of $14.5 million;

partially offset by:

- the net effect of transactions under the Company's contingent stock plan of $7.3 million;
- the $321.5 million value of the 9,000,000 shares of common stock reserved for issuance related to the asbestos settlement; and
- the excess of book value over the repurchase price of $10.3 million recognized in connection with preferred stock repurchases.

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

The Company is subject to numerous recently issued statements of financial accounting standards, accounting guidance and disclosure requirements. Note 19, "New Accounting Pronouncements — Recently Issued Statements of Financial Accounting Standards, Accounting Guidance and Disclosure Requirements," of the Notes to the Consolidated Financial Statements, which is contained in Item 8 of Part II of this Annual Report on Form 10-K, describes these new accounting pronouncements and is incorporated herein by reference.

Critical Accounting Policies and Estimates

The Company's discussion and analysis of its results of operations and financial condition are based upon its consolidated financial statements, which have been prepared in accordance with generally accepted accounting principles in the United States of America, known as US GAAP. The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities. Estimates and assumptions are evaluated on an ongoing basis and are based on historical and other factors believed to be reasonable under the circumstances. The results of these estimates may form the basis of the carrying value of assets and liabilities and may not be readily apparent from other sources. Actual results, under conditions and circumstances different from those assumed, may differ from estimates, and while any differences may be material to the Company's consolidated financial statements, the Company does not believe that the differences, taken as a whole, will be material.

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

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

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

Impairment of Long-Lived Assets — The Company periodically reviews long-lived assets, other than goodwill, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Goodwill, in accordance with SFAS No. 142, is reviewed for possible impairment at least annually during the fourth quarter of each fiscal year. A review of goodwill may be initiated prior to conducting the annual analysis if events or changes in circumstances indicate that the carrying value of goodwill may be impaired. Assumptions and estimates used in the determination of impairment losses, such as future cash flows and disposition costs, may affect the carrying value of long-lived assets and possible impairment expense in the Company's consolidated financial statements.

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

Pensions — Although the Company maintains a non-contributory profit sharing plan and contributory thrift and retirement savings plans in which most U.S. employees of the Company are eligible to participate, the Company does maintain defined benefit pension plans for a limited number of its U.S. employees and for many of its non-U.S. employees. The Company accounts for these pension plans in accordance with SFAS No. 87, "Employers' Accounting for Pensions." Under these accounting standards, assumptions are made regarding the valuation of benefit obligations and performance of plan assets. The principal assumptions concern the discount rate used to measure future obligations, the expected future rate of return on plan assets, the expected rate of future compensation increases and various other actuarial assumptions. Changes to these assumptions could have a significant impact on costs and liabilities recorded under SFAS No. 87.

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

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

Forward-Looking Statements

Some of the statements made by the Company in this report, in documents incorporated by reference herein, and in future oral and written statements by the Company, may be forward-looking. These statements reflect 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 the Company'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 "anticipates," "believes," "could be," "estimates," "expects," "intends," "plans to," "will" 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 these 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;

- factors affecting the customers, industries and markets that use the Company's packaging materials and systems;
- competitive factors;
- production capacity;
- raw material availability and pricing;
- changes in energy-related expenses;
- disruptions in energy supply or communications;
- changes in the value of foreign currencies against the U.S. dollar;
- changes in interest rates, credit availability and ratings;
- the effect on the Company of new pronouncements by accounting authorities;
- the Company's ability to hire, develop and retain talented employees worldwide;
- 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 Company's access to financing and other sources of capital;

- the success of the Company's key information systems projects;
- the magnitude and timing of the Company's capital expenditures;
- the Company's inventory management proficiency;
- changes in the Company's relationships with customers and suppliers;
- the approval and implementation of the settlement agreement with the Official Committee of Asbestos Personal Injury Claimants and the Official Committee of Asbestos Property Damage Claimants in the Grace bankruptcy proceeding;
- other effects on the Company of the bankruptcy filing by Grace and its subsidiaries;
- other legal and environmental proceedings, claims and matters involving the Company;
- the effects of animal and food-related health issues, such as bovine spongiform encephalopathy, also known as BSE or "mad-cow" disease, avian influenza, also known as "bird flu," and foot-and-mouth disease; as well as other health issues affecting trade;
- acts and effects of war or terrorism; and
- changes in domestic or foreign laws, rules or regulations, or governmental or agency actions, including the effects of proposed federal asbestos legislation, if enacted.

Except as required by the federal securities laws, the Company undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

The Company is exposed to market risk from changes in interest rates and foreign currency exchange rates, which may adversely affect its results of operations and financial condition. The Company seeks to minimize these risks through regular operating and financing activities and, when deemed

appropriate, through the use of derivative financial instruments. The Company does not purchase, hold or sell derivative financial instruments for trading purposes.

Interest Rates

From time to time, the Company may use interest rate swaps, collars or options to manage its exposure to fluctuations in interest rates.

2003 Interest Rate Swaps:

During 2003, the Company entered into interest rate swaps with a total notional amount of $500.0 million that qualify and were designated as fair value hedges. The interest rate swaps were entered into in order to convert a portion of the 5.375% senior notes and the 8.75% senior notes into floating rate debt.

In connection with the Company's repurchase of a portion of the 8.75% senior notes in December 2003, the Company terminated interest rate swaps with a total notional amount of $100.0 million and received net cash proceeds of $0.7 million.

At December 31, 2003, the Company recorded the following adjustments to long-term debt:

- an adjustment to record a decrease in the fair value of the 5.375% senior notes due to changes in interest rates of $6.1 million and an offsetting adjustment to other liabilities to record the fair value of the related interest rate swaps; and
- an adjustment to record an increase in the fair value of the 8.75% senior notes due to changes in interest rates of $3.8 million and an offsetting adjustment to other assets to record the fair value of the related interest rate swaps.

The Company also reduced interest expense $4.2 million for the year ended December 31, 2003, due to the impact of interest rate swaps that were outstanding during the year.

2002 Interest Rate Swaps:

In June 2002, the Company entered into two interest rate swap agreements (with a total notional amount of $50.0 million) that were qualified and designated as fair value hedges in accordance with SFAS No. 133. These agreements were entered into in order to convert a portion of the 8.75% senior notes fixed rate debt into floating rate debt. During September 2002, the Company terminated these swaps and reflected a basis adjustment to the 8.75% senior notes for a portion of the cash received of approximately $2.4 million. The Company is amortizing this amount and reflecting it as a component of interest expense over the remaining life of the 8.75% senior notes. The Company was not party to any interest rate swap agreements at December 31, 2002.

At December 31, 2003 and 2002, the Company had no interest rate collars or options outstanding.

The fair value of the Company's fixed rate debt varies with changes in interest rates. Generally, the fair value of fixed rate debt will increase as interest rates fall and decrease as interest rates rise. At December 31, 2003, the carrying value of the Company's total debt, giving effect to the impact of the interest rate swaps, was $2,280.4 million, of which $2,262.2 million was fixed rate debt. At December 31, 2002, the carrying value of the Company's total debt was $923.4 million, of which approximately $812.6 million was fixed rate debt. The estimated fair value of the Company's total debt, giving effect to the impact of the interest rate swaps, which reflects the cost of replacing the Company's fixed rate debt with borrowings at current market rates, was $2,445.3 million at December 31, 2003 compared to $958.3 million at December 31, 2002. A hypothetical 10% decrease in interest rates would result in an increase in the fair value of the total debt balance at December 31, 2003 of $101.2 million. These changes in the fair value of the Company's fixed rate debt do not alter the Company's obligations to repay the outstanding principal amount of this debt.

Foreign Exchange Rates

The Company may use other derivative instruments from time to time, such as foreign exchange options to manage exposure due to foreign exchange rates and interest rate and currency swaps to gain access to additional sources of international financing, while limiting foreign exchange exposure and limiting or adjusting interest rate exposure by swapping borrowings in one currency for borrowings denominated in another currency. At December 31, 2003 and 2002, the Company had no foreign exchange options or interest rate and currency swap agreements outstanding.

The Company uses foreign currency forward contracts to fix the amount payable on transactions denominated in foreign currencies. The terms of these instruments are generally twelve months or less. At December 31, 2003 and 2002, the Company had foreign currency forward contracts with an aggregate notional amount of approximately $161.9 million and $146.9 million, respectively. The estimated fair values of these contracts, which represent the estimated net payments that would be paid or received by the Company in the event of termination of these contracts based on the then current foreign exchange rates, was a net payable of $0.2 million and zero at December 31, 2003 and 2002, respectively. A hypothetical 10% adverse change in foreign exchange rates at December 31, 2003 would have caused the Company to pay approximately $0.4 million to terminate these contracts.

The Company's foreign subsidiaries had outstanding debt of approximately $22.7 million and $322.7 million at December 31, 2003 and 2002, respectively. This debt is generally denominated in the functional currency of the borrowing subsidiary. The Company believes that this enables it to better match operating cash flows with debt service requirements and to better match foreign currency-denominated assets and liabilities, thereby reducing its need to enter into foreign exchange contracts.

Commodities

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

Item 8. Financial Statements and Supplementary Data

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

Sealed Air Corporation

Report of Independent Certified Public Accountants

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

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

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Sealed Air Corporation and subsidiaries as of December 31, 2003 and 2002, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2003, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

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

KPMG LLP
Short Hills, New Jersey
January 26, 2004

SEALED AIR CORPORATION AND SUBSIDIARIES
Consolidated Statements of Operations
Years Ended December 31, 2003, 2002 and 2001
(In millions of dollars, except for per share data)

	2003	2002	2001
Net sales	$ 3,531.9	$ 3,204.3	$ 3,067.5
Cost of sales	2,419.1	2,146.7	2,077.2
Gross profit	1,112.8	1,057.6	990.3
Marketing, administrative and development expenses	574.1	542.5	513.1
Goodwill amortization	—	—	57.0
Restructuring and other (credits) charges	(0.5)	(1.3)	32.8
Operating profit	539.2	516.4	387.4
Interest expense	(134.3)	(65.3)	(76.4)
Asbestos settlement and related costs	(2.8)	(850.1)	(12.0)
Loss on debt repurchase	(33.6)	—	—
Other income (expense), net	8.4	7.1	(1.5)
Earnings (loss) before income taxes	376.9	(391.9)	297.5
Income tax expense (benefit)	136.5	(82.8)	140.8
Net earnings (loss)	$ 240.4	$ (309.1)	$ 156.7
Less: Excess of redemption price over book value of Series A convertible preferred stock	25.5	—	—
Add: Excess of book value over repurchase price of Series A convertible preferred stock	0.8	10.3	7.4
Less: Series A convertible preferred stock dividends	28.6	53.8	55.0
Net earnings (loss) ascribed to common shareholders	$ 187.1	$ (352.6)	$ 109.1
Earnings (loss) per common share:			
Basic	$ 2.21	$ (4.20)	$ 1.30
Diluted	$ 2.00	$ (4.30)	$ 1.22

See accompanying Notes to Consolidated Financial Statements.

SEALED AIR CORPORATION AND SUBSIDIARIES
Consolidated Balance Sheets
December 31, 2003 and 2002
(In millions of dollars, except share data)

	2003	2002
Assets		
Current assets:		
Cash and cash equivalents	$ 365.0	$ 126.8
Notes and accounts receivable, net of allowances for doubtful accounts of $17.9 in 2003 and $18.7 in 2002	615.2	546.8
Inventories	371.2	329.4
Prepaid expenses and other current assets	18.8	11.7

Deferred income taxes	57.6	41.6
Total current assets	1,427.8	1,056.3
Property and equipment, net	1,042.4	1,013.0
Goodwill	1,939.5	1,926.2
Deferred income taxes	85.0	84.3
Other assets	209.4	181.0
Total Assets	$ 4,704.1	$ 4,260.8
Liabilities, Preferred Stock and Shareholders' Equity		
Current liabilities:		
Short-term borrowings	$ 18.2	$ 53.4
Current portion of long-term debt	2.4	2.0
Accounts payable	191.7	167.0
Deferred income taxes	5.8	4.3
Asbestos settlement liability	512.5	512.5
Other current liabilities	459.8	413.6
Total current liabilities	1,190.4	1,152.8
Long-term debt, less current portion	2,259.8	868.0
Deferred income taxes	34.9	31.0
Other liabilities	95.4	69.0
Total Liabilities	3,580.5	2,120.8
Commitments and contingencies (Note 18)		
Authorized 50,000,000 preferred shares. Series A convertible preferred stock, $50.00 per share redemption value, no shares authorized in 2003 and 27,365,594 shares authorized in 2002, no shares outstanding in 2003 due to redemption of all outstanding shares on July 18, 2003 and 26,540,099 shares outstanding in 2002, mandatory redemption in 2018	—	1,327.0
Shareholders' equity:		
Common stock, $.10 par value per share. Authorized 400,000,000 shares; issued 85,547,227 shares in 2003 and 84,764,347 shares in 2002	8.6	8.5
Cost of treasury common stock, 461,785 shares in 2003 and 723,415 shares in 2002	(19.6)	(31.1)
Common stock reserved for issuance related to asbestos settlement, 9,000,000 shares, $.10 par value per share in 2003 and 2002	0.9	0.9
Additional paid-in capital	1,046.9	1,037.1
Retained earnings	243.7	31.9
Deferred compensation	(16.3)	(9.9)
	1,264.2	1,037.4
Minimum pension liability	(1.6)	(2.2)
Accumulated translation adjustment	(147.0)	(222.2)
Unrecognized gain on derivative instruments	8.0	—
Accumulated other comprehensive loss	(140.6)	(224.4)
Total Shareholders' Equity	1,123.6	813.0
Total Liabilities, Preferred Stock and Shareholders' Equity	$ 4,704.1	$ 4,260.8

See accompanying Notes to Consolidated Financial Statements.

SEALED AIR CORPORATION AND SUBSIDIARIES
Consolidated Statements of Shareholders' Equity
Years Ended December 31, 2003, 2002 and 2001
(In millions of dollars)

	Common Stock	Common Stock Reserved for Issuance Related to Asbestos Settlement	Additional Paid-in Capital	Retained Earnings	Deferred Compensation	Treasury Common Stock
Balance at December 31, 2000	$ 8.4	$ —	$ 689.1	$ 293.1	$ (17.1)	$
Effect of contingent stock transactions, net	—	—	1.7	—	6.1	
Shares issued for non-cash compensation	—	—	0.3	—	—	
Exercise of stock options	—	—	0.5	—	—	
Purchase of preferred stock	—	—	7.5	—	—	
Conversion of preferred stock	—	—	—	—	—	
FAS 87 pension adjustment	—	—	—	—	—	
Foreign currency translation	—	—	—	—	—	
Unrecognized loss on derivative instruments	—	—	—	—	—	
Net earnings	—	—	—	156.7	—	
Dividends on preferred stock	—	—	—	(55.0)	—	
Balance at December 31, 2001	8.4	—	699.1	394.8	(11.0)	
Effect of contingent stock transactions, net	0.1	—	6.1	—	1.1	
Shares issued for non-cash compensation	—	—	0.1	—	—	
Exercise of stock options	—	—	0.9	—	—	
Purchase of preferred stock	—	—	10.3	—	—	
Conversion of preferred stock	—	—	—	—	—	
FAS 87 pension adjustment	—	—	—	—	—	
Foreign currency translation	—	—	—	—	—	
Unrecognized gain on derivative instruments	—	—	—	—	—	
Net loss	—	—	—	(309.1)	—	
Dividends on preferred stock	—	—	—	(53.8)	—	
Common stock reserved for issuance related to the asbestos settlement	—	0.9	320.6	—	—	
Balance at December 31, 2002	8.5	0.9	1,037.1	31.9	(9.9)	
Effect of contingent stock transactions, net	0.1	—	14.6	—	(6.4)	
Shares issued for non-cash compensation	—	—	(1.7)	—	—	
Exercise of stock options	—	—	4.7	—	—	
Redemption of preferred stock	—	—	(25.5)	—	—	
Purchase of preferred stock	—	—	0.8	—	—	
Conversion of preferred stock	—	—	16.9	—	—	
FAS 87 pension adjustment	—	—	—	—	—	
Foreign currency translation	—	—	—	—	—	
Unrecognized gain on derivative instruments	—	—	—	—	—	
Net earnings	—	—	—	240.4	—	
Dividends on preferred stock	—	—	—	(28.6)	—	
Balance at December 31, 2003	$ 8.6	$ 0.9	$ 1,046.9	$ 243.7	$ (16.3)	$

See accompanying Notes to Consolidated Financial Statements.

SEALED AIR CORPORATION AND SUBSIDIARIES
Consolidated Statements of Cash Flows
Years Ended December 31, 2003, 2002 and 2001
(In millions of dollars)

	2003	2002	2001
Cash flows from operating activities:			
Net earnings (loss)	$ 240.4	$ (309.1)	$ 156.7
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities:			
Depreciation and amortization of property and equipment	154.1	144.1	141.7
Other amortization, including goodwill in 2001	19.1	20.9	78.9
Amortization of bond discount	0.9	0.7	0.6
Amortization of terminated treasury lock agreements	(0.5)	—	—
Non-cash portion of restructuring and other charges (credits)	—	—	7.3
Non-cash portion of asbestos settlement	—	321.5	—
Deferred tax provisions	(23.4)	(257.2)	(9.1)
Net loss on long-term debt repurchased	33.6	—	—
Net loss (gain) on disposals of property and equipment	2.3	0.1	(0.2)
Changes in operating assets and liabilities, net of businesses acquired:			
Change in the Receivables Facility	—	(95.6)	95.6
Change in notes and accounts receivable, net of Receivables Facility	(20.3)	(22.7)	27.1
Inventories	(11.6)	(32.6)	16.5
Other current assets	(5.4)	(2.1)	(1.7)
Other assets	(0.9)	(20.0)	(3.9)
Accounts payable	9.2	23.7	(5.7)
Income taxes payable	4.0	12.7	35.7
Asbestos settlement liability	—	512.5	—
Other current liabilities	57.5	25.1	40.3
Other liabilities	10.7	1.9	(1.1)
Net cash provided by operating activities	469.7	323.9	578.7
Cash flows from investing activities:			
Capital expenditures for property and equipment	(124.3)	(91.6)	(146.3)
Proceeds from sales of property and equipment	3.4	5.2	4.4
Businesses acquired in purchase transactions, net of cash acquired	(2.5)	(10.5)	(36.0)
Net cash used in investing activities	(123.4)	(96.9)	(177.9)
Cash flows from financing activities:			
Proceeds from long-term debt	1,582.0	281.4	482.4
Payment of long-term debt	(276.7)	(240.0)	(631.5)
Payment of senior debt issuance costs	(19.5)	—	(2.2)
Net proceeds from the termination of interest rate swap agreements	0.7	2.7	—
Net proceeds from the termination of treasury lock agreements	13.9	—	—
Net payments of short-term borrowings	(37.3)	(77.1)	(163.8)
Repurchases of preferred stock	(36.7)	(28.8)	(18.8)
Redemption of preferred stock	(1,298.1)	—	—
Dividends paid on preferred stock	(41.9)	(40.5)	(69.2)
Proceeds from stock option exercises	4.7	0.8	0.5
Net cash used in financing activities	(108.9)	(101.5)	(402.6)
Effect of exchange rate changes on cash and cash equivalents	0.8	(12.5)	4.4
Cash and cash equivalents:			
Net change during the period	238.2	113.0	2.6
Balance, beginning of period	126.8	13.8	11.2
Balance, end of period	$ 365.0	$ 126.8	$ 13.8

See accompanying Notes to Consolidated Financial Statements.

SEALED AIR CORPORATION AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income (Loss)
Years Ended December 31, 2003, 2002 and 2001
(In millions of dollars)

	2003	2002	2001
Net earnings (loss)	$ 240.4	$ (309.1)	$ 156.7
Other comprehensive income (loss):			
Minimum pension liability, net of income tax expense (benefit) of $0.5, $0.1 and $(0.5) in 2003, 2002 and 2001, respectively	0.6	—	(0.7)
Unrecognized gain (loss) on derivative instruments, net of income tax expense (benefit) of $5.3, $0.1 and $(0.1), in 2003, 2002 and 2001, respectively	8.0	0.1	(0.1)
Foreign currency translation adjustments	75.2	(14.5)	(19.9)
Comprehensive income (loss)	$ 324.2	$ (323.5)	$ 136.0

See accompanying Notes to Consolidated Financial Statements.

SEALED AIR CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(Amounts in tables in millions of dollars, except share and per share data)

Note 1 General

Sealed Air Corporation (the "Company"), operating through its subsidiaries, manufactures and sells 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. The Company adopted this corporate structure in connection with the Cryovac transaction. See Note 18 for a description of the Cryovac transaction and

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. The Company has eliminated all significant intercompany transactions and balances in consolidation.

Use of Estimates

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

Revenue Recognition

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

Cash and Cash Equivalents

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

Allowance for Doubtful Accounts

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

Commitments and Contingencies — Litigation

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

Self-Insurance

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

Pensions

Although the Company maintains a non-contributory profit sharing and contributory thrift and retirement savings plans in which most U.S. employees of the Company are eligible to participate, the Company also maintains defined benefit pension plans for a limited number of its U.S. and for many of its non-U.S. employees. The Company accounts for these pension plans in accordance with Statement of Financial Accounting Standards ("SFAS") No. 87, "Employers' Accounting for Pensions." Under these accounting standards, the Company makes assumptions regarding the valuation of benefit obligations and performance of plan assets. The principal assumptions concern the discount rate used to measure future obligations, the expected future rate of return on plan assets, the expected rate of future compensation increases and various other actuarial assumptions. Changes to these assumptions could have a significant impact on costs and liabilities recorded under SFAS No. 87.

Financial Instruments

The Company has limited involvement with derivative financial instruments. The Company may use cross currency swaps, interest rate swaps, caps and collars, U.S. Treasury lock agreements and foreign

exchange forward contracts and options relating to the Company's borrowing and trade activities. The Company may use these financial instruments from time to time to manage its exposure to fluctuations in interest rates and foreign exchange rates. The Company does not purchase, hold or sell derivative financial instruments for trading or speculative purposes. The Company faces credit risk if the counterparties to these transactions are unable to perform their obligations. However, the Company seeks to minimize this risk by entering into transactions with counterparties that are major financial institutions with high credit ratings.

Effective January 1, 2001, the Company accounts for derivative transitions in accordance with SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended by SFAS No. 137 and SFAS No. 138, referred to collectively as SFAS No. 133, which requires that the Company report all derivative instruments on its 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 it faces, the appropriate hedging instrument to use to reduce the risk and the correlation between the financial risk and the hedging instrument. The Company uses purchase orders and historical data 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 the Company designates these derivative instruments as hedges and the derivative instruments are effective as hedges of recognized assets or liabilities, forecasted transactions, unrecognized firm commitments or forecasted intercompany transactions.

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

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

Accounts Receivable Securitization

The Company's two primary U.S. operating subsidiaries are party to an accounts receivable securitization program under which they can sell eligible U.S. accounts receivable to an indirectly wholly-owned subsidiary of the Company that was formed for the sole purpose of entering into this program. The wholly-owned subsidiary in turn sells an undivided ownership interest in these receivables to a bank or an issuer of commercial paper administered by that bank. The wholly-owned subsidiary retains the receivables it purchases from the two operating subsidiaries, except those as to which it sells interests to the bank or to the issuer of commercial paper. The Company removes the transferred

undivided ownership interest amounts from its consolidated balance sheets at that time and reflects the proceeds from the sale in cash provided by operating activities in the consolidated statement of cash flows. The Company reflects retained receivables in notes and accounts receivable on its consolidated balance sheets, and the carrying amounts thereof approximate fair value because of the relatively short-term nature of the receivables. The Company reflects costs associated with the sale of receivables in other income (expense), net, in the Company's consolidated statements of operations.

Inventories

The Company determines the cost of most U.S. inventories on a last-in, first-out or LIFO cost flow basis. The cost of U.S. equipment inventories and most non-U.S. inventories are determined on a first-in, first-out or FIFO cost flow basis. The Company states inventories at the lower of cost or market.

Property and Equipment

The Company states property and equipment at cost, except for property and equipment that have been impaired, for which the Company reduces the carrying amount to the estimated fair value at the impairment date. The Company capitalizes significant improvements; the Company charges repairs and maintenance costs that do not extend the lives of the assets to expense as incurred. The Company removes the cost and accumulated depreciation of assets sold or otherwise disposed of from the accounts and recognizes any resulting gain or loss upon the disposition of the assets.

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

Goodwill and Identifiable Intangible Assets

Goodwill represents the excess of the purchase price of net tangible and identifiable intangible assets acquired in business combinations over their estimated fair value. The Company reflects identifiable intangible assets in other assets at cost. These assets consist primarily of patents, licenses, trademarks and non-compete agreements. The Company amortizes them 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 and therefore are immaterial to the Company's consolidated balance sheets.

In July 2001, the Financial Accounting Standards Board or the FASB issued SFAS No. 141, "Business Combinations" and SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 141 requires that companies use the purchase method of accounting for all business combinations initiated after June 30, 2001 as well as all purchase method business combinations completed after June 30, 2001. SFAS No. 142 requires that companies no longer amortize goodwill and intangible assets with indefinite useful lives, but instead test for impairment on a reporting unit basis at least annually in accordance with the provisions of SFAS No. 142. A company may initiate a review of goodwill prior to conducting the annual analysis if events or changes in circumstances indicate that the carrying value of goodwill

may be impaired. A reporting unit is the operating segment unless, at businesses one level below that operating segment — the "component" level — discrete financial information is prepared and regularly reviewed by management, and the component has economic characteristics that are different from the economic characteristics of the other components of the operating segment, in which case the component is the reporting unit. A company must use a fair value approach to test goodwill for impairment. A company must recognize an impairment charge for the amount, if any, by which the carrying amount of goodwill exceeds its fair value. The Company derives an estimate of fair values for the Company as a whole and for each of the Company's reporting units using various methods, such as discounted cash flows, equity market capitalization and comparative market multiples. The Company performs this annual test for impairment during the fourth quarter of each year. This standard also requires that the Company amortize intangible assets with definite useful lives over their respective estimated useful lives to their estimated residual values and review these for impairment in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets."

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

Impairment of Long-Lived Assets

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

Stock-Based Compensation

The Company follows the disclosure provisions of SFAS No. 123, "Accounting for Stock-Based Compensation," as amended by SFAS No. 148, "Accounting for Stock-Based Compensation — Transition and Disclosure." As permitted by SFAS No. 123, the Company continues to follow the measurement provisions of Accounting Principles Board Opinion or APB No. 25, "Accounting for Stock Issued to Employees."

Contingent Stock Plan

The Company's primary stock-based employee compensation program is a contingent stock plan. See Note 15 for further information on this plan. The Company has adopted only the disclosure provisions of SFAS No. 123 but applies APB No. 25 and related interpretations in accounting for the contingent stock plan. Since the compensation cost under this plan is consistent with the compensation cost that the Company would have recognized for such plan under the provisions of SFAS No. 123, the pro forma disclosure requirements under SFAS No. 123 are not applicable for this plan.

Terminated Stock Option Plans

The Company terminated stock option plans in which specified employees of the Cryovac packaging business participated prior to March 31, 1998 as of that date in connection with the Cryovac transaction (see Note 18), except with respect to options that remained outstanding as of that date. All of these options had been granted at an exercise price equal to their fair market value on the date of grant.

The Company has adopted only the disclosure provisions of SFAS No. 123, but applies APB No. 25 and related interpretations in accounting for these stock options. All options outstanding upon the termination of the stock option plans in 1998 had fully vested prior to December 31, 2000; therefore, there is no pro forma effect on earnings and earnings per common share as a result of applying SFAS No. 123 for years subsequent to 2000.

Foreign Currency Translation

In non-U.S. locations that are not considered highly inflationary, the Company translates the balance sheets at the end of period exchange rates with translation adjustments accumulated in shareholders' equity. The Company translates statements of operations at the average exchange rates during the applicable period. The Company translates assets and liabilities of its operations in countries with highly inflationary economies at the end of period exchange rates, except that it translates certain financial statement amounts at historical exchange rates. The Company translates items reflected in statements of operations of its operations in countries with highly inflationary economies at average rates of exchange prevailing during the period, except that it translates specified financial statement amounts at historical exchange rates.

Income Taxes

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

The Company accounts for income taxes under the asset and liability method. The Company recognizes deferred tax assets and liabilities for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and tax benefit carryforwards. The Company determines deferred tax liabilities and assets at the end of each period using enacted tax rates.

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

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

Research and Development

The Company expenses research and development costs as incurred. Research and development costs were $69.0 million, $59.3 million and $55.8 million in 2003, 2002 and 2001, respectively.

Earnings (Loss) per Common Share

The Company calculates basic earnings (loss) per common share by dividing net earnings (loss) ascribed to common shareholders by the weighted average common shares outstanding for the period. Net earnings (loss) ascribed to common shareholders represents net earnings (loss) adjusted for gains (losses) attributable to the repurchase or redemption of preferred stock for an amount below or above its book value, less preferred stock dividends. The computation of diluted earnings (loss) 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 (loss) ascribed to common shareholders that would occur is factored into the calculation.

Environmental Expenditures

The Company expenses or capitalizes environmental expenditures that relate to ongoing business activities, as appropriate. The Company expenses expenditures that relate to an existing condition caused by past operations and which do not contribute to current or future net sales. The Company records liabilities when it determines that environmental assessments or remediation expenditures are probable and that it can reasonably estimate the cost or a range of costs associated therewith.

Note 3 Business Segment Information

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

The Food Packaging segment consists primarily of flexible materials and related systems such as shrink bag and film products, laminated films, and packaging systems marketed primarily under the Cryovac® trademark for packaging a broad range of perishable foods. Also included in this segment are rigid packaging and absorbent pads such as 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: 2003 — $1,835.1 million; 2002 — $1,657.2 million; and 2001 — $1,592.1 million. Net sales of rigid packaging and absorbent pads were: 2003 — $350.6 million; 2002 — $300.9 million; and 2001 — $288.2 million. The Company primarily sells products in this segment to food processors, distributors and food service businesses.

The Protective and Specialty Packaging segment consists primarily of cushioning and surface protection products such as Bubble Wrap® cushioning and other air cellular cushioning materials; shrink and non-shrink films principally for non-food applications; polyurethane foam packaging systems sold under the Instapak® trademark; polyethylene foam sheets and planks; Jiffy® mailers and bags and other protective and durable mailers and bags; paper-based protective packaging materials; suspension and retention packaging; inflatable packaging; and packaging systems. Net sales of cushioning and surface protection products were: 2003 — $1,298.3 million; 2002 — $1,201.4 million; and 2001 — $1,153.1 million. Net sales of other products for 2003, 2002 and 2001 were approximately 1% of consolidated net sales. The Company primarily sells products in this segment to distributors and manufacturers in a wide variety of industries.

	2003	2002	2001
Net sales			
Food Packaging	$ 2,185.7	$ 1,958.1	$ 1,880.3
Protective and Specialty Packaging	1,346.2	1,246.2	1,187.2
Total	$ 3,531.9	$ 3,204.3	$ 3,067.5
Operating profit			
Food Packaging	$ 361.6	$ 325.3	$ 287.7
Protective and Specialty Packaging	209.5	219.4	211.0
Total segments	571.1	544.7	498.7
Restructuring and other credits (charges)(1)	0.5	1.3	(32.8)
Unallocated corporate operating expenses (including goodwill amortization of $57.0 in 2001)(2)	(32.4)	(29.6)	(78.5)
Total	$ 539.2	$ 516.4	$ 387.4
Depreciation and amortization(3)			
Food Packaging	$ 110.5	$ 105.9	$ 105.3
Protective and Specialty Packaging	62.7	59.1	57.4
Total segments	173.2	165.0	162.7
Corporate (including goodwill amortization in 2001)	—	—	57.9
Total	$ 173.2	$ 165.0	$ 220.6
Capital expenditures(3)			
Food Packaging	$ 86.2	$ 61.8	$ 103.8
Protective and Specialty Packaging	38.1	29.8	42.5
Total	$ 124.3	$ 91.6	$ 146.3
Assets(3)			
Food Packaging	$ 1,750.9	$ 1,476.2	$ 1,284.1
Protective and Specialty Packaging	957.0	841.1	704.2
Total segments	2,707.9	2,317.3	1,988.3
Corporate (including goodwill of $1,939.5, $1,926.2 and $1,913.0 in 2003, 2002 and 2001, respectively)	1,996.2	1,943.5	1,919.6
Total	$ 4,704.1	$ 4,260.8	$ 3,907.9

(1) In 2003, includes a credit of $0.3 for Food Packaging and a credit of $0.2 for Protective and Specialty Packaging. In 2002, includes a credit of $3.0 for Food Packaging and a charge of $1.6 for Protective and Specialty Packaging. In 2001 includes a $21.1 charge related to the Food Packaging segment (including a net non-cash charge of $1.4) and a $11.7 charge related to the Protective and Specialty Packaging segment (including a net non-cash charge of $5.9).

(2) Unallocated corporate expenses in 2001 consisted primarily of goodwill amortization and global information technology costs. Unallocated corporate expenses in 2003 and 2002 consisted primarily of global information technology costs.

(3) The Company uses plant, equipment and other resources of the Food Packaging segment to manufacture films sold by the Protective and Specialty Packaging segment for non-food applications. The Company allocates a proportionate share of capital expenditures, assets, depreciation and other costs of manufacturing to the Protective and Specialty Packaging segment.

Note 3 Business Segment Information (Continued)

Geographic Information

	2003	2002	2001
Net sales:(1)			
United States	$ 1,844.8	$ 1,758.8	$ 1,680.2
Canada	113.7	100.8	93.5
Europe	968.8	819.5	775.7
Latin America	228.1	217.0	225.6
Asia Pacific	376.5	308.2	292.5
Total	$ 3,531.9	$ 3,204.3	$ 3,067.5
Total long-lived assets:(1)			
United States(2)	$ 2,592.5	$ 2,589.1	$ 2,606.7
Canada	30.4	27.3	27.0
Europe	371.3	328.9	309.2
Latin America	46.2	43.8	63.4
Asia Pacific	150.9	131.1	119.6
Total	$ 3,191.3	$ 3,120.2	$ 3,125.9

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

(2) Includes goodwill, net, of $1,939.5, $1,926.2 and $1,913.0 in 2003, 2002 and 2001.

Goodwill by Reportable Business Segment

In accordance with SFAS No. 131 "Disclosures about Segments of an Enterprise and Related Information," and because the Company's management views goodwill as a corporate asset, the Company has allocated all of its goodwill to the corporate level rather than to the individual segments. However, in accordance with SFAS No. 142, "Goodwill and Other Intangible Assets," the Company has allocated goodwill to each reportable segment in order to perform its annual impairment review of goodwill, which it does during the fourth quarter of each year. See Note 19 for a discussion of the annual goodwill impairment review.

The allocation of goodwill in accordance with SFAS No. 142 for the years ended December 31, 2003 and 2002 was as follows:

	Balance at Beginning of Period	Goodwill Acquired During the Year	Foreign Currency Translation	Balance at End of Period
Year Ended December 31, 2003				
Food Packaging	$ 535.3	$ —	$ 11.9	$ 547.2
Protective and Specialty Packaging	1,390.9	0.5	0.9	1,392.3
Total	$ 1,926.2	$ 0.5	$ 12.8	$ 1,939.5
Year Ended December 31, 2002				
Food Packaging	$ 528.9	$ —	$ 6.4	$ 535.3
Protective and Specialty Packaging	1,384.1	7.3	(0.5)	1,390.9
Total	$ 1,913.0	$ 7.3	$ 5.9	$ 1,926.2

Note 4 Accounts Receivable Securitization

In December 2001, the Company and a group of its U.S. subsidiaries entered into an accounts receivable securitization program with a bank and an issuer of commercial paper administered by the bank.

Under this receivables facility, the Company's two primary operating subsidiaries, Cryovac, Inc. and Sealed Air Corporation (US), sell all of their eligible U.S. accounts receivable to Sealed Air Funding Corporation, an indirectly wholly-owned subsidiary of the Company that was formed for the sole purpose of entering into the receivables facility. Sealed Air Funding in turn may sell undivided ownership interests in these receivables to the bank and the issuer of commercial paper, subject to specified conditions, up to a maximum of $125.0 million of receivables interests outstanding from time to time.

Sealed Air Funding retains the receivables it purchases from the operating subsidiaries, except those as to which it sells receivables interests to the bank or the issuer of commercial paper. The Company has structured the sales of accounts receivable by the operating subsidiaries to Sealed Air Funding, and the sales of receivables interests from Sealed Air Funding to the bank and the issuer of commercial paper, as "true sales" under applicable laws. The assets of Sealed Air Funding are not available to pay any creditors of the Company or of its subsidiaries or affiliates. The Company accounts for these transactions as sales of receivables under the provisions of SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities."

To secure the performance of their obligations under the receivables facility, Sealed Air Funding and the operating subsidiaries granted a first priority security interest to the bank, as agent, in accounts receivable owned by them, proceeds and collections of those receivables and other collateral. The bank and the issuer of commercial paper have no recourse to the Company's, the operating subsidiaries' or Sealed Air Funding's other assets for any losses resulting from the financial inability of customers to pay amounts due on the receivables when they become due. As long as a termination event with

respect to the receivables facility has not occurred, the operating subsidiaries service, administer and collect the receivables under the receivables facility as agents on behalf of Sealed Air Funding, the bank and the issuer of commercial paper. Prior to a termination event under the receivables facility, Sealed Air Funding uses collections of receivables not otherwise required to be paid to the bank or the issuer of commercial paper to purchase new eligible receivables from the operating subsidiaries. The Company has undertaken to cause the operating subsidiaries to perform their obligations under the receivables facility.

The scheduled expiration date for the receivables facility is December 7, 2004. The parties amended the receivables facility on April 2, 2003 to provide that Sealed Air Funding could sell receivables interests aggregating up to $60.0 million, originated only by Sealed Air Corporation (US), to the bank or the issuer of commercial paper until a definitive asbestos settlement agreement, satisfactory to the bank, had been entered into. The receivables facility again became available for the sale of receivables interests originated by Cryovac, Inc. as well as Sealed Air Corporation (US), up to the original maximum of $125.0 million of receivables interests provided for by the receivables facility, on January 26, 2004.

The parties also amended the receivables facility on April 2, 2003 to exclude the charge for the asbestos litigation settlement reflected in the Company's consolidated statement of operations for the year ended December 31, 2002 from the calculation of the interest coverage and leverage ratios provided for in the receivables facility. The Company must comply with these interest coverage and leverage ratio covenants contained in the receivables facility in order to use the facility. The Company was in compliance with these ratios at December 31, 2003.

Under limited circumstances, the bank and the issuer of commercial paper can terminate purchases of receivables interests prior to the above dates. A downgrade 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., or failure to comply with interest coverage and debt leverage ratios could result in termination of the receivables facility. In connection with recording the accounting charge in the fourth quarter of 2002 for the asbestos settlement and related costs, the Company requested and received a waiver of compliance with the interest coverage and leverage ratios provided for in the receivables facility. After reflecting this waiver, the Company was in compliance with the requirements of the receivables facility as of December 31, 2002.

The operating subsidiaries did not sell any receivables interests under the receivables facility during 2003, and therefore the Company did not remove any related amounts from the consolidated assets reflected on the Company's consolidated balance sheet at December 31, 2003.

During 2002, Sealed Air Funding sold receivables interests to the issuer of commercial paper from time to time; however, as of December 31, 2002, neither the bank nor the issuer of commercial paper held any receivables interests and no related amounts were removed from the consolidated balance sheet at December 31, 2002.

The receivables facility provides for the monthly payment of program fees which currently are 0.375% per annum (0.45% per annum at December 31, 2003) on the receivables interests sold by Sealed Air Funding and commitment fees which currently are 0.375% per annum (0.40% per annum at December 31, 2003) on the unused portion of the $125.0 million receivables facility.

The costs associated with the receivables facility are reflected in other income (expense), net, in the Company's consolidated statements of operations for the years ended December 31, 2003, 2002 and 2001. These costs primarily relate to the loss on the sale of the receivables interests to the bank or the issuer of commercial paper, which were approximately zero for 2003, $0.4 million for 2002 and $0.1 million for 2001, and program and commitment fees and other associated costs, which were approximately $0.6 million, $0.4 million and $0.3 million for 2003, 2002 and 2001, respectively.

Note 5 Acquisitions

During the three-year period from 2001 to 2003, the Company made several acquisitions. The Company acquired these businesses for cash in the aggregate amount of $2.5 million, $10.5 million and $36.0 million in 2003, 2002 and 2001, respectively, and accounted for the acquisitions under the purchase method of accounting. These acquisitions resulted in goodwill of $0.5 million in 2003, $7.3 million in 2002 and $16.7 million in 2001. In each year, cash used for acquisitions was net of cash acquired in those acquisitions. Cash acquired in acquisitions was not material in 2003, 2002 or 2001. The Company did not assume any debt in acquisitions in 2003 and 2002. In 2001, the Company assumed approximately $19.0 million of debt in acquisitions. These acquisitions were not material to the Company's consolidated financial statements.

Note 6 Inventories

	December 31,	
	2003	2002
Inventories (at FIFO, which approximates current cost):		
Raw materials	$ 88.1	$ 76.9
Work in process	82.1	71.3
Finished goods	223.6	198.4
	393.8	346.6
Reduction of certain inventories to LIFO basis	(22.6)	(17.2)
Total	$ 371.2	$ 329.4

At December 31, 2003 and 2002, the Company determined the value of U.S. inventories by the last-in, first-out or LIFO inventory method. The value of U.S. inventories determined by that method amounted to $137.3 million and $131.4 million, respectively. If the Company had used first-in, first-out or FIFO inventory method, which approximates replacement value, for these inventories, they would have been $22.6 million and $17.2 million higher at December 31, 2003 and 2002, respectively.

Note 7 Property and Equipment

	December 31,	
	2003	2002
Land and improvements	$ 31.9	$ 27.4
Buildings	485.5	449.9
Machinery and equipment	1,823.6	1,616.0
Other property and equipment	131.7	119.6
Construction-in-progress	93.5	79.6
	2,566.2	2,292.5
Accumulated depreciation and amortization	(1,523.8)	(1,279.5)
Property and equipment, net	$ 1,042.4	$ 1,013.0

Interest cost capitalized during 2003, 2002 and 2001 was $4.8 million, $8.1 million and $6.8 million, respectively.

Note 8 Other Liabilities

	December 31,	
	2003	2002
Other current liabilities:		
Accrued salaries, wages and related costs	$ 132.0	$ 127.5
Accrued operating expenses	96.2	90.5
Income taxes payable	82.2	85.8
Accrued customer volume rebates	73.4	66.0
Accrued dividends and interest	75.2	37.2
Accrued restructuring costs (Note 10)	0.8	6.6
Total	$ 459.8	$ 413.6

	December 31,	
	2003	2002
Other liabilities:		
Other postretirement benefits	$ 2.2	$ 2.5
Non-U.S. statutory social security and pension obligations	52.3	37.1
Other various liabilities	40.9	29.4
Total	$ 95.4	$ 69.0

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

Note 9 Income Taxes

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

	2003	2002	2001
Domestic	$ 173.2	$ (561.4)	$ 213.7
Foreign	203.7	169.5	83.8
Total	$ 376.9	$ (391.9)	$ 297.5

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

	2003	2002	2001
Current tax expense:			
Federal	$ 75.5	$ 90.3	$ 82.1
State and local	15.0	19.2	17.9
Foreign	69.4	64.9	49.9
Total current	159.9	174.4	149.9
Deferred tax (benefit) expense:			
Federal	(12.7)	(238.0)	2.1
State and local	(2.7)	(22.9)	0.4
Foreign	(8.0)	3.7	(11.6)
Total deferred	(23.4)	(257.2)	(9.1)
Total provision (benefit)	$ 136.5	$ (82.8)	$ 140.8

Deferred tax assets (liabilities) consist of the following:

	December 31,	
	2003	2002
Asbestos settlement	$ 273.4	$ 261.9
Accruals not yet deductible for tax purposes	16.4	17.8
Foreign net operating loss carryforwards and investment tax allowances	20.9	17.7
Inventories	14.3	14.1
Other	9.9	6.1
Gross deferred tax assets	334.9	317.6
Valuation allowance	(20.9)	(17.5)
Total deferred tax assets	314.0	300.1
Depreciation and amortization	(103.7)	(108.7)
Unremitted foreign earnings	(44.0)	(44.0)
Intangibles	(27.9)	(28.0)
Other	(36.5)	(28.8)
Total deferred tax liabilities	(212.1)	(209.5)

Net deferred tax assets (liabilities)	$ 101.9	$ 90.6

Based upon anticipated future results, the Company has concluded that it is more likely than not that it will realize the $314.0 million balance of deferred tax assets at December 31, 2003, net of the valuation

allowance of $20.9 million. The valuation allowance is related to the uncertainty of utilizing $39.5 million of foreign net operating loss carryforwards, or $11.5 million on a tax-effected basis, and $33.6 million of foreign investment tax allowances, or $9.4 million on a tax-effected basis, that have no expiration period.

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

	2003	2002	2001
Statutory U.S. federal tax rate	35.0%	(35.0)%	35.0%
State income taxes, net of federal tax benefit	2.1	(0.6)	4.0
Income (benefits) taxes on foreign earnings	(2.2)	1.6	1.6
Goodwill amortization	—	—	6.2
Asbestos settlement	—	11.5	—
Non-deductible expenses	1.3	1.4	0.5
Effective tax rate	36.2%	(21.1)%	47.3%

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 refine further the Company's manufacturing operations and product offerings. As a result of this review, which the Company completed in the fourth quarter of 2001, the Company announced and began implementing a restructuring program that resulted in charges to operations of $32.8 million for 2001. These charges consisted of the following:

	Year Ended December 31, 2001
Employee termination costs	$ 23.9
Facility exit costs	1.6
Long-lived asset impairments	7.3
Total	$ 32.8

The portion of this restructuring charge related to the Company's food packaging segment was $21.1 million, and the portion related to the protective and specialty packaging segment was $11.7 million.

The Company originally expected to incur $25.5 million of cash outlays to carry out this restructuring program. These cash outlays primarily consisted of severance and other personnel-related costs as well as lease and other contractual arrangement termination costs. As of December 31, 2003, the Company had made total cash payments of approximately $22.9 million ($5.3 million in 2003, $11.8 million in 2002 and $5.8 million in 2001). In 2003 and 2002, the Company adjusted the 2001 cash restructuring accrual for net credits of $0.5 million and $1.3 million respectively, as discussed below. After these cash outlays and the net credits, the restructuring accrual at December 31, 2003 was $0.8 million, representing cash outlays expected to be made in 2004 and future years, primarily for severance-related

costs. The long-lived asset impairment of $7.3 million consisted of the following write-downs and write-offs:

	Year Ended December 31, 2001
Property, plant and equipment	$ 3.9
Goodwill	3.3
Other long-lived assets	0.1
Total	$ 7.3

These long-lived asset impairments related to decisions to rationalize and realign production of some of the Company's small product lines and to close several manufacturing and warehouse facilities in North America, Europe, South Africa and the Asia Pacific region. The annual reduction of depreciation and amortization expense as a result of these asset impairments was $0.4 million. The Company has disposed of all of the above property, plant and equipment.

During 2003 and 2002, the Company made adjustments to the original 2001 restructuring provision, resulting in a net credit to the consolidated statement of operations of $0.5 million and $1.3 million, respectively. These adjustments resulted from the completion of actions for amounts different than expected, headcount reductions obtained through attrition, and, during 2002, the revision of a plan to shut down one of the Company's manufacturing facilities. The portion of the 2003 credit applicable to the Company's food packaging segment was $0.3 million, while the portion applicable to the Company's protective and specialty packaging segment was $0.2 million. The portion of the 2002 net credit applicable to the Company's food packaging segment amounted to a credit of $2.9 million, while the portion applicable to the protective and specialty packaging segment amounted to a charge of $1.6 million.

As a result of the 2002 adjustments to the 2001 restructuring program, the Company expected a net reduction in headcount of approximately 440 positions. This program originally estimated a net headcount reduction of approximately 470. The Company reduced the revised net headcount reduction by approximately 30 positions that were eliminated by attrition. This net reduction was based on the elimination of 677 positions from all geographic areas in which the Company does business, primarily from its manufacturing, sales and marketing functions in North America and Europe. As of December 31, 2003, all of the 677 positions estimated to be eliminated under this program had been eliminated. The Company anticipated the addition of 237 positions in connection with its realignment or relocation of manufacturing activities.

The components of the restructuring charges, spending and other activity through December 31, 2003 and the remaining accrual balance at December 31, 2003 were as follows:

	Employee Termination Costs	Plant/Office Exit Cost	Total Cost
Restructuring accrual recorded in 2001	$ 23.9	$ 1.6	$ 25.5
Cash payments during 2001	(5.7)	(0.1)	(5.8)
Restructuring accrual at December 31, 2001	18.2	1.5	19.7
Reversal of restructuring accrual, net	(1.3)	—	(1.3)
Cash payments during 2002	(11.1)	(0.7)	(11.8)
Restructuring accrual at December 31, 2002	5.8	0.8	6.6
Reversal of restructuring accrual, net	(0.5)	—	(0.5)
Cash payments during 2003	(4.5)	(0.8)	(5.3)
Restructuring accrual at December 31, 2003	$ 0.8	$ —	$ 0.8

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 its 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 of its U.S. employees 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 $26.9 million, $36.2 million and $26.1 million in 2003, 2002 and 2001, respectively. In 2002 and 2001, there were no shares of common stock issued for the Company's contribution to its profit-sharing plan. The value of the 268,180 shares of common stock issued as part of the Company's contribution to the profit-sharing plan in 2003 was $9.8 million, with the $17.1 million balance of the 2003 contributions to these plans made in cash.

Note 11 Employee Benefits and Incentive Programs (Continued)

U.S. Pension Plans

A limited number of the Company's U.S. employees, including some employees who are covered by collective bargaining agreements, participate in defined benefit pension plans. The following presents the Company's funded status for 2003 and 2002 under SFAS No. 132 for its U.S. pension plans. The measurement date for the defined benefit pension plans presented below is December 31 of each period.

	2003	2002
Change in benefit obligation:		
Projected benefit obligation at beginning of period	$ 23.8	$ 19.7
Service cost	0.9	0.7
Interest cost	1.6	1.4
Plan amendment	1.3	1.2
Actuarial loss	1.8	1.3
Benefits paid	(0.6)	(0.5)
Projected benefit obligation at end of period	$ 28.8	$ 23.8
Accumulated benefit obligation at end of period	$ 24.7	$ 21.1
Change in plan assets:		
Fair value of plan assets at beginning of period	$ 21.0	$ 18.9
Actual gain (loss) on plan assets	3.8	(1.8)
Employer contributions	1.7	4.5
Benefits paid	(0.5)	(0.6)
Fair value of plan assets at end of period	$ 26.0	$ 21.0
Funded status:		
Plan assets less than benefit obligation	$ (2.8)	$ (2.8)
Unrecognized net prior service cost	5.1	4.5
Unrecognized net actuarial loss	8.8	9.6
Net asset recognized at end of period	$ 11.1	$ 11.3
Amount recognized in the consolidated balance sheet consists of:		
Prepaid benefit cost	$ 12.3	$ 12.2
Accrued benefit liability	(1.2)	(0.9)
Net amount recognized	$ 11.1	$ 11.3

The following presents the Company's pension expense for 2003, 2002 and 2001 under SFAS No. 132 for its U.S. pension plans.

	Year ended December 31, 2003	Year ended December 31, 2002	Year ended December 31, 2001
Components of net periodic benefit cost:			
Service cost	$ 0.9	$ 0.7	$ 0.6
Interest cost	1.6	1.4	1.3
Expected return on plan assets	(1.8)	(1.9)	(1.6)
Amortization of prior service cost	0.7	0.6	0.6
Amortization of net actuarial loss	0.5	0.2	—
Net periodic pension cost	$ 1.9	$ 1.0	$ 0.9

Weighted average assumptions used to determine benefit obligations at December 31, 2003 and 2002 were as follows:

	2003	2002
Discount rate	6.0%	6.75%
Rate of compensation increase	4.5%	4.5%

Weighted average assumptions used to determine net cost for the year ended December 31, 2003, 2002 and 2001 were as follows:

	2003	2002	2001
Discount rate	6.75%	7.0%	7.25%
Expected long-term rate of return	8.5%	8.5%	10.0%
Rate of compensation increase	4.5%	4.5%	4.5%

The expected long-term rate of return on plan assets is reviewed annually, taking into consideration the Company's asset allocation, historical returns, and the current economic environment.

The Company's long-term objectives for plan investments are to ensure that, a) there is an adequate level of assets to support benefit obligations to participants over the life of the plans, b) there is sufficient liquidity in plan assets to cover current benefit obligations, and c) there is a high level of investment return consistent with a prudent level of investment risk. The investment strategy is focused on a long-term total return in excess of a pure fixed income strategy with short-term volatility less than that of a pure equity strategy. To accomplish this objective, assets are invested in a balanced and diversified mix of equity and fixed income investments. The target asset allocation will typically be 50-65% in equity securities, with a maximum equity allocation of 75%, and 35-50% in fixed income securities, with a minimum fixed income allocation of 25% including cash.

The U.S. pension asset allocations at December 31, 2003 and 2002 were as follows:

	2003	2002
Equities	65.3%	55.0%
Fixed income investments	30.4%	37.0%
Cash	4.3%	8.0%

Non-U.S. Pension Plans

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 2003 and 2002 under SFAS No. 132 for its non-U.S. pension plans. The measurement date for the defined benefit pension plans presented below is December 31 of each period.

	2003	2002
Change in benefit obligation:		
Projected benefit obligation at beginning of period	$ 144.7	$ 133.8
Service cost	6.0	4.8
Interest cost	9.3	8.0
Plan amendment	—	0.4
Actuarial loss (gain)	5.5	(10.9)
Plan merger	—	(0.1)
Additional liability for added population	7.9	—
Benefits paid	(8.8)	(7.6)
Employee contributions	1.2	1.1
Foreign exchange impact	26.4	15.2
Projected benefit obligation at end of period	$ 192.2	$ 144.7
Accumulated benefit obligations at end of period	$ 171.3	$ 129.9
Change in plan assets:		
Fair value of plan assets at beginning of period	$ 121.8	$ 125.7
Plan merger	—	(0.1)
Actual gain (loss) on plan assets	13.8	(17.4)
Employer contributions	7.4	10.3
Benefits paid	(8.8)	(7.6)
Additional assets recognized	2.1	—
Assets transferred to defined contribution plan	(1.9)	(1.2)
Employee contributions	1.2	1.1
Foreign exchange impact	22.6	11.0
Fair value of plan assets at end of period	$ 158.2	$ 121.8
Funded status:		
Plan assets less than benefit obligation	$ (34.1)	$ (22.9)
Unrecognized net obligation	0.2	0.2
Unrecognized net prior service cost	1.0	1.0
Unrecognized net actuarial loss	64.6	58.7
Net asset recognized at end of period	$ 31.7	$ 37.0
Amount recognized in the consolidated balance sheet consists of:		
Prepaid benefit cost	$ 71.2	$ 63.4
Accrued benefit liability	(42.5)	(30.5)
Intangible asset	0.4	0.5
Accumulated other comprehensive income	2.6	3.6
Net amount recognized	$ 31.7	$ 37.0

The following presents the Company's pension expense for 2003, 2002 and 2001 under SFAS No. 132 for its non-U.S. pension plans.

	Year ended December 31, 2003	Year ended December 31, 2002	Year ended December 31, 2001
Components of net periodic benefit cost:			
Service cost	$ 6.0	$ 4.8	$ 4.9
Interest cost	9.3	8.0	7.9
Expected return on plan assets	(10.0)	(10.5)	(12.4)
Amortization of obligation (asset)	0.1	0.2	0.1
Amortization of prior service cost	0.2	0.1	0.1
Amortization of net actuarial loss	4.9	2.8	0.6
Net periodic pension cost	$ 10.5	$ 5.4	$ 1.2

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

	2003	2002	2001
Discount rate at December 31	5.6%	5.5%	5.8%
Expected long-term rate of return	7.9%	7.9%	8.1%
Rate of compensation increase	3.8%	3.4%	3.5%

Other Postretirement Benefit Plans

The Company generally does not offer its employees postretirement benefits other than certain programs which are required by the foreign countries in which the Company operates and a U.S. program which is fully funded by the participating retired employees. Such programs are not material to the Company's consolidated financial statements.

Since March 31, 1998, the Company has offered to certain U.S. employees of the Cryovac packaging business a fixed subsidy applicable to participation in its U.S. postretirement healthcare program. At December 31, 2003, 2002 and 2001, the accrued benefit liability associated with these subsidies amounted to $2.2 million, $2.5 million and $3.1 million, respectively. The net periodic postretirement expense and credit components, together with other remaining postretirement healthcare plan disclosures under SFAS No. 132, are not material to the consolidated financial statements.

Note 12 Debt

At December 31, 2003 and 2002, the Company's total debt outstanding consisted of the amounts set forth on the following table:

	December 31, 2003	December 31, 2002
Short-term borrowings and current portion of long-term debt:		
Short-term borrowings	$ 18.2	$ 53.4
Current portion of long-term debt	2.4	2.0

Total current debt	20.6	55.4
Long-term debt, less current portion:		
5.625% Euro Notes due July 2006, less unamortized discount of $0.7 in 2003 and $0.8 in 2002(1)	248.0	205.2
8.75% Senior Notes due July 2008, (plus) less unamortized discount and interest rate swaps of $(4.0) in 2003 and $1.2 in 2002	181.5	298.8
6.95% Senior Notes due May 2009, less unamortized discount of $1.1 in 2003 and $1.6 in 2002	248.9	298.5
5.375% Senior Notes due April 2008, less unamortized discount and interest rate swaps of $7.5 in 2003	292.5	—
5.625% Senior Notes due July 2013, less unamortized discount of $1.3 in 2003(2)	398.7	—
6.875% Senior Notes due July 2033, less unamortized discount of $1.6 in 2003(2)	448.4	—
3% Convertible Senior Notes due June 2033(2)	431.3	—
ANZ Credit Facility	—	57.5
Other	10.5	8.0
Total long-term debt, less current portion	2,259.8	868.0
Total debt	$ 2,280.4	$ 923.4

(1) The carrying value of the Euro Notes increased approximately $42.5 million in 2003, primarily as a result of the strengthening of the euro compared to the U.S. dollar during 2003.

(2) The Company used the net proceeds of these offerings and additional cash on hand, an aggregate of $1,298.1 million, to redeem the outstanding shares of its Series A convertible preferred stock.

Revolving Credit Facilities:

The 2006 Facility

On December 19, 2003, the Company entered into a new $350.0 million unsecured multi-currency revolving credit facility that matures in 2006. The Company did not borrow under the 2006 facility at its inception, and no borrowings were outstanding as of December 31, 2003.

The 2006 facility provides that the Company may borrow for working capital and general corporate purposes including payment of a portion of the $512.5 million cash payment required to be paid upon

the effectiveness of an appropriate plan of reorganization in the Grace bankruptcy (see Note 18 for further discussion). The Company may re-borrow amounts repaid under the 2006 facility from time to time prior to the expiration or earlier termination of the 2006 facility. As of December 31, 2003, facility fees were payable at the rate of 0.15% per annum on the total amounts available under the 2006 facility.

The Company's obligations under the 2006 facility bear interest at floating rates, which are generally determined by adding the applicable borrowing margin to the base rate or the interbank rate for the relevant currency and time period. The 2006 facility provides for changes in borrowing margins based on the Company's long-term senior unsecured debt ratings.

The 2006 facility provides that, upon the occurrence of specified events that would adversely affect the settlement agreement in the Grace bankruptcy proceedings or would materially increase the Company's liability in respect of the Grace bankruptcy or the asbestos liability arising from the Cryovac transaction, the Company would be required to repay any amounts outstanding under the 2006 facility, or refinance the facility, within 60 days.

The 2003 Facility

At December 31, 2002, the Company's principal revolving credit facility was a $525.0 million facility that the Company allowed to expire in accordance with its terms on March 30, 2003. There were no borrowings outstanding under the 2003 facility as of December 31, 2002.

The 2003 facility provided that the Company and specified subsidiaries could borrow for various purposes until the expiration or earlier termination of this facility. The Company could borrow to refinance existing debt, provide working capital, make acquisitions, repurchases of the Company's outstanding common and preferred stock and capital expenditures, and meet other general corporate needs. Amounts repaid under the 2003 facility could be re-borrowed from time to time prior to the expiration or earlier termination of the facility. As of December 31, 2002, facility fees were payable at the rate of 0.095% per annum under the 2003 facility on the total amounts available under the credit facility.

The obligations under the 2003 facility bore interest at floating rates. The floating rates were generally determined by adding the applicable borrowing margin to the interbank rate for the relevant currency and time period.

Senior Notes Issued in July 2003; Recapitalization:

In July 2003, the Company issued a total of $1,281.3 million of senior notes in transactions that were exempt from registration in reliance upon Rule 144A and other available exemptions under the Securities Act. On July 18, 2003, the Company used the net proceeds from these offerings and additional cash on hand to redeem its Series A convertible preferred stock at the redemption price of $51.00 per share, for which the Company used $1,298.1 million of cash, plus an amount equal to dividends accrued from July 1, 2003 through July 17, 2003, for which the Company used $2.4 million of cash. As discussed in Note 15 below, the Company had previously repurchased an aggregate of 750,600 shares of its Series A convertible preferred stock during 2003, prior to the July 18, 2003 redemption. As discussed below in this Note 12, the Company subsequently used net cash of $208.2 million to

repurchase an aggregate of $172.5 million of its senior notes and to terminate related interest rate swaps.

The senior note offerings consisted of the following:

- $400.0 million aggregate principal amount of 5.625% senior notes due July 15, 2013. Accrued interest on the 5.625% senior notes is payable semi-annually in arrears on January 15 and July 15 of each year, commencing on January 15, 2004. The net proceeds from this issuance, after deducting the initial purchasers' discount, unamortized bond discount and other offering expenses, were $395.6 million. The carrying value of these notes at December 31, 2003 was $398.7 million, net of unamortized discount.

- $450.0 million aggregate principal amount of 6.875% senior notes due July 15, 2033. Accrued interest on the 6.875% senior notes is payable semi-annually in arrears on January 15 and July 15 of each year, commencing on January 15, 2004. The net proceeds from this issuance, after deducting the initial purchasers' discount, unamortized bond discount and other offering expenses, were $444.0 million. The carrying value of these notes at December 31, 2003 was $448.4 million, net of unamortized discount.

- $431.3 million aggregate principal amount of 3% convertible senior notes due June 30, 2033. Accrued interest on the 3% convertible senior notes is payable semi-annually in arrears on June 30 and December 30 of each year, commencing on December 30, 2003. The net proceeds from this issuance, after deducting the initial purchasers' discount and other offering expenses, were $421.5 million. The carrying value of these notes at December 31, 2003 was $431.3 million.

  Holders of the convertible senior notes may convert those notes into shares of the Company's common stock at a conversion rate of 14.2857 shares per $1,000 principal amount of the notes, which is equivalent to a conversion price of $70.00 per share, subject to anti-dilution adjustments, before the close of business on June 30, 2033. Holders may convert their convertible senior notes only under the following circumstances: (1) during any calendar quarter, if the closing sale price of the Company's common stock exceeds 120% of the conversion price for at least 20 trading days in the 30 consecutive trading days ending on the last trading day of the preceding calendar quarter; (2) during any period in which (i) the long-term credit rating assigned to the notes by Standard & Poor's Rating Services, a division of the McGraw-Hill Companies, or Moody's Investors Services, Inc. is lower than BB+ or Ba2, respectively, (ii) either Standard & Poor's or Moody's no longer rates the notes or has withdrawn or suspended this rating, or (iii) the notes are not assigned a rating by both Standard & Poor's and Moody's; (3) during the five business day period immediately after any five consecutive trading day period in which the trading price per $1,000 principal amount of notes for each day of that period was less than 98% of the product of the closing sale price of the Company's common stock and the conversion rate; (4) if the notes have been called for redemption; or (5) upon the occurrence of specified corporate events. None of these circumstances that would allow for conversion of the notes has arisen at any time since their issuance.

  The Company has the option to redeem the 3% convertible senior notes beginning July 2, 2007 at a price equal to 101.286% of their aggregate principal amount, declining ratably to 100% of their aggregate principal amount on June 30, 2010.

The holders of the 3% convertible senior notes have the option to require the Company to repurchase the 3% convertible senior notes on June 30 of 2010, 2013, 2018, 2023 and 2028, or upon the occurrence of a fundamental change in or a termination of trading of the Company's common stock, at a price equal to 100% of their principal amount, plus accrued and unpaid interest.

In connection with the issuance of the 3% convertible senior notes, on September 5, 2003 the Company filed a registration statement on Form S-3 with the Securities and Exchange Commission to register for resale the 6,160,708 shares of the Company's common stock issuable, subject to anti-dilution adjustments, upon conversion of the notes. The registration statement became effective on January 23, 2004.

5.375% Senior Notes:

On April 14, 2003, the Company issued $300.0 million aggregate principal amount of 5.375% senior notes due April 2008 in transactions exempt from registration in reliance upon Rule 144A and other available exemptions under the Securities Act. Accrued interest on these senior notes is payable semi-annually in arrears on April 15 and October 15 of each year, commencing on October 15, 2003. The net proceeds from the issuance of these senior notes after deducting the initial purchasers' discount, unamortized bond discount and other offering expenses were $296.1 million.

The carrying value of these notes at December 31, 2003 was $292.5 million, net of unamortized discount and an adjustment to record a decrease in the fair value of the 5.375% senior notes of $6.1 million due to changes in interest rates related to interest rate swaps the Company has entered into with respect to these notes.

ANZ Facility:

In March 2002, the Company entered into an Australian dollar 175.0 million, which was equivalent to U.S. $128.4 million at December 31, 2003, dual-currency revolving credit facility that expires on March 12, 2005, known as the "ANZ facility". A syndicate of banks made this facility available to a group of the Company's Australian and New Zealand subsidiaries for general corporate purposes and the refinancing of previously outstanding indebtedness. The Company may re-borrow amounts repaid under the ANZ facility from time to time prior to the expiration or earlier termination of the facility. No amounts were outstanding under the ANZ facility at December 31, 2003.

Debt Repurchase:

In December 2003, the Company used net cash of $208.2 million to repurchase in the open market $122.5 million face amount of its 8.75% senior notes and $50.0 million face amount of its 6.95% senior notes and to terminate interest rate swaps on the 8.75% senior notes with a total notional amount of $100.0 million. The net cash used of $208.2 million consisted of cash used to purchase the senior notes at a premium plus accrued interest and related fees of $208.9 million and cash received of $0.7 million related to the termination of the interest rate swaps. These repurchases were made at premiums to the face amounts of the notes and therefore resulted in a loss of $33.6 million, which the Company reflected in the statement of operations as "Loss on debt repurchase."

Covenants:

Each issue of the Company's outstanding senior notes and the Company's outstanding Euro Notes imposes limitations on the Company's operations and those of specified subsidiaries. The principal limitations restrict liens, sale and leaseback transactions and mergers, acquisitions and dispositions. The 2006 facility contains financial covenants relating to interest coverage, debt leverage and minimum liquidity, and restrictions on the creation of liens, the incurrence of additional indebtedness, acquisitions, mergers and consolidations, asset sales, and amendments to the asbestos settlement agreement discussed above. The ANZ facility contains financial covenants relating to debt leverage, interest coverage and tangible net worth, and restrictions on the creation of liens, the incurrence of additional indebtedness and asset sales. The Company was in compliance with these limitations at December 31, 2003. The 2003 facility had similar covenants to those of the ANZ facility. In connection with recording the accounting charge in the fourth quarter of 2002 for the asbestos settlement and related costs (see Note 18), the Company requested and received a waiver of compliance with the interest coverage and leverage ratios provided for in the 2003 facility. After reflecting such waiver, the Company was in compliance with all applicable requirements of each of the above instruments as of December 31, 2002.

Lines of Credit:

Substantially all the Company's short-term borrowings of $18.2 million and $53.4 million at December 31, 2003 and 2002, respectively, 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, 2003 and 2002 were approximately $215.3 million and $209.0 million, respectively, of which approximately $197.0 million and $155.0 million, respectively, were unused.

At December 31, 2003 and 2002, the Company had available committed and uncommitted lines of credit, including the credit lines discussed above, of $693.7 million and $832.0 million, respectively, of which $675.4 million and $721.0 million were unused. As of December 31, 2003 and 2002, the total available lines of credit included committed lines of credit of $479.2 million and $832.0 million, respectively, and uncommitted lines of credit of $214.5 million and $210.0 million, respectively. The Company's principal credit lines were all committed, and consisted of the 2006 facility at December 31, 2003, the 2003 facility at December 31, 2002 and the ANZ facility at both dates. The Company is not subject to any material compensating balance requirements in connection with its lines of credit.

Debt Maturities

Scheduled annual maturities of long-term debt, exclusive of debt discounts, for the five years subsequent to December 31, 2003 are as follows:

2004	$ 2.4
2005	3.0
2006	250.2
2007	1.6
2008	478.4
Thereafter	1,534.8
Total	$ 2,270.4

Note 13 Derivatives and Hedging Activities

Effective January 1, 2001, the Company adopted SFAS No. 133, as amended, which requires that the Company report all derivative instruments on the balance sheet at fair value and establishes criteria for designation and effectiveness of transactions entered into for hedging purposes. The cumulative effect of adopting SFAS No. 133 was not material to the Company's 2001 consolidated financial statements.

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

Foreign Currency Forward Contracts

The Company is exposed to market risk, such as fluctuations in foreign currency exchange rates. The Company's subsidiaries have foreign currency exchange exposure from buying and selling in currencies other than their functional currencies. The primary purpose of the Company's foreign currency hedging activities is to manage the potential changes in value associated with the amounts receivable or payable on transactions denominated in foreign currencies. At December 31, 2003 and 2002, the Company was party to foreign currency forward contracts, with aggregate notional amounts of approximately $161.9 million maturing through April 2004 and $146.9 million which matured through April 2003, respectively. These contracts qualified and were designated as cash flow hedges, and had original maturities of less than twelve months.

Interest Rate Swaps

From time to time, the Company may use interest rate swaps to manage its exposure to fluctuations in interest rates.

2003 Interest Rate Swaps:

At December 31, 2003, the Company had interest rate swaps with a total notional amount of $400.0 million that qualify and were designated as fair value hedges. The Company entered into interest rate swaps to convert a portion of the 5.375% senior notes and 8.75% senior notes into floating rate debt. At December 31, 2003, the Company recorded the following adjustments to long-term debt:

- an adjustment to record a decrease in the fair value of the 5.375% senior notes due to changes in interest rates of $6.1 million and an offsetting adjustment to other liabilities to record the fair value of the related interest rate swaps; and
- an adjustment to record an increase in the fair value of the 8.75% senior notes due to changes in interest rates of $3.8 million and an offsetting adjustment to other assets to record the fair value of the related interest rate swaps.

The Company also reduced interest expense $4.2 million for the year ended December 31, 2003, due to the impact of interest rate swaps that were outstanding during the year.

In connection with the Company's repurchase of a portion of the 8.75% senior notes in December 2003 (see Note 12), the Company terminated interest rate swaps with a total notional amount of $100.0 million and received net cash proceeds of $0.7 million.

2002 Interest Rate Swaps:

In June 2002, the Company entered into two interest rate swap agreements (with a total notional amount of $50.0 million) that qualified and were designated as fair value hedges in accordance with SFAS No. 133. The Company had entered into these agreements to, among other things, convert a portion of the 8.75% senior notes fixed rate debt into floating rate debt. During September 2002, the Company terminated these swaps and reflected a basis adjustment to the 8.75% senior notes for a portion of the cash received of approximately $2.4 million. The Company is amortizing this amount and reflecting it as a component of interest expense over the remaining life of the 8.75% senior notes. The Company was not party to any interest rate swap agreements at December 31, 2002.

U.S. Treasury Locks

During the three months ended June 30, 2003, the Company entered into U.S. Treasury lock agreements with a total notional amount of $700.0 million that qualified and were designated as cash flow hedges. U.S. Treasury lock agreements are instruments used to manage the risks associated with movements in U.S. Treasury rates. The Company entered into these agreements to manage interest rate risks arising from the planned issuance of the 5.375% senior notes in April 2003 and the planned issuance of the 5.625% senior notes and the 6.875% senior notes in July 2003 (see Note 12). The Company terminated these U.S. Treasury lock agreements prior to June 30, 2003 and received net cash proceeds of $13.9 million. The Company has reflected this amount in other comprehensive income and is amortizing and reflecting it as a net reduction of interest expense over the lives of the respective senior notes. At December 31, 2003, the Company was not party to any U.S. Treasury lock agreements.

The Company may use other derivative instruments from time to time, such as options and collars to manage its exposure to fluctuations in interest rates, foreign exchange options to manage exposure to

fluctuations in foreign exchange rates, and interest rate and currency swaps to gain access to additional sources of international financing while limiting foreign exchange exposure and limiting or adjusting interest rate exposure by swapping borrowings in one currency for borrowings denominated in another currency.

The Company records gains and losses on derivatives qualifying as cash flow hedges in other comprehensive income (loss), to the extent that these hedges are effective and until it recognizes the underlying transactions in earnings, at which time it recognizes these gains and losses in the consolidated statement of operations. Other comprehensive income (loss) for the years ended December 31, 2003 and 2002 reflected net unrealized after tax gains of $8.0 million ($13.3 million pre-tax) and $0.1 million ($0.2 million pre-tax), respectively, all of which the Company expects to be reflected in the consolidated statement of operations within the next twelve months when the Company recognizes the underlying transactions in the consolidated statement of operations. The unrealized amounts in other comprehensive income (loss) will fluctuate based on changes in the fair value of open contracts during each reporting period. The Company's practice is to terminate derivative transactions if the underlying asset or liability matures or is sold or terminated, or if the Company determines the underlying forecasted transaction is no longer probable of occurring. The Company's cash flow hedges for the years ended December 31, 2003 and 2002 were effective within the meaning of SFAS No. 133, under which an "effective" hedge is one that qualifies for hedge accounting treatment.

The Company bears 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 these agreements fail to perform their obligations.

Note 14 Financial Instruments

Under accounting principles generally accepted in the United States of America, the Company must 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 euro notes, senior notes and Series A convertible preferred stock are based on quoted market prices. The Company derived the fair value estimates of the Company's various other debt instruments by evaluating the nature and terms of each instrument, considering prevailing economic and market conditions, and examining the cost of similar debt offered at the balance sheet date. These estimates are subjective and involve uncertainties and matters of significant judgment and, therefore, the Company cannot determine them with precision. Changes in assumptions could significantly affect the Company's estimates.

The fair value of the debt in the table below differs from the carrying amount due to changes in interest rates based on the market conditions as of December 31, 2003 and 2002. Generally, the fair value of fixed rate debt will increase as interest rates fall and decrease as interest rates rise. The

carrying value of the Series A convertible preferred stock as of December 31, 2002 in the table below appears in the consolidated balance sheet at its mandatory redemption value of $50.00 per share.

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.

The carrying amounts and estimated fair values of the Company's financial instruments at December 31, 2003 and 2002 were as follows:

	2003		2002	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Derivative financial assets:				
Interest rate swaps	$ 3.8	$ 3.8	$ —	$ —
Derivative financial liabilities:				
Foreign currency forward contracts	$ 0.2	$ 0.2	$ —	$ —
Interest rate swaps	6.1	6.1	—	—
Total	$ 6.3	$ 6.3	$ —	$ —
Financial liabilities:				
Debt:				
Euro Notes	$ 248.0	$ 261.8	$ 205.2	$ 196.7
8.75% Senior Notes	181.5	207.2	298.8	333.0
6.95% Senior Notes	248.9	282.1	298.5	306.0
5.375% Senior Notes	292.5	322.2	—	—
5.625% Senior Notes	398.7	409.1	—	—
6.875% Senior Notes	448.4	475.5	—	—
3% Convertible Senior Notes	431.3	454.4	—	—
Other foreign loans	22.6	21.3	117.5	116.4
Other loans	8.5	11.7	3.4	6.2
Total debt	$ 2,280.4	$ 2,445.3	$ 923.4	$ 958.3
Series A convertible preferred stock	$ —	$ —	$ 1,327.0	$ 1,130.6

Note 15 Shareholders' Equity

Common Stock

The following is a summary of changes during 2003, 2002 and 2001 in shares of common stock:

	2003	2002	2001
Changes in common stock:			
Number of shares, beginning of year	84,764,347	84,494,504	84,352,492
Shares issued for contingent stock	356,705	238,900	113,950
Non-cash compensation	2,724	2,605	7,926
Conversion of preferred stock	298,174	427	139
Exercise of stock options	125,277	27,911	19,997
Number of shares issued, end of year	85,547,227	84,764,347	84,494,504
Changes in common stock in treasury:			
Number of shares held, beginning of year	723,415	717,615	706,265
Contingent stock forfeited	6,550	5,800	11,850
Non-cash compensation	—	—	(500)
Profit sharing contribution	(268,180)	—	—
Number of shares held, end of year	461,785	723,415	717,615

Contingent Stock Plan and Directors Stock Plan

The Company's contingent stock plan provides for the grant 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 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 of contingent stock are subject to a repurchase option by the Company at the price at which the shares were issued. This restriction lapses prior to the expiration of the vesting period if specified events occur that affect the existence or control of the Company. The Company credits the aggregate fair value of contingent stock issued to the common stock and additional paid-in capital accounts and deducts the unamortized portion of the compensation from shareholders' equity. The Company charges the excess of fair value over the award price of contingent stock to operations as compensation expense over a three-year period. These charges amounted to $8.2 million, $7.8 million, and $10.0 million in 2003, 2002 and 2001, respectively.

Non-cash compensation in 2003 and 2002 comprises shares issued to non-employee directors in the form of awards under the Company's 2002 Stock Plan for Non-Employee Directors, which stockholders of the Company approved at the 2002 annual meeting. The 2002 Directors Stock Plan provides for annual grants of shares to non-employee directors, and interim grants of shares to eligible directors elected at times other than at an annual meeting, at a price per share equal to the par value of the shares, as all or part of the annual or interim retainer fees for non-employee directors. During 2002, the Company adopted a plan that permits non-employee directors to elect to defer all or part of their annual retainer until the non-employee director retires from the Board. The non-employee director can elect to defer the portion of the annual retainer payable in shares of stock. If a non-employee director makes this election, the non-employee director may also elect to defer the portion, if any, of the annual

retainer payable in cash. The Company charges the excess of fair value over the price at which shares are issued under this plan to operations at the date of the grant. This charge amounted to $0.3 million in 2003 and $0.4 million in 2002.

In 2001, the Company made grants of shares to non-employee directors at a price of $1.00 per share under the then-effective Restricted Stock Plan for Non-Employee Directors (the 1998 Directors Stock Plan), which the Company terminated when the stockholders approved the 2002 Directors Stock Plan. The Company charged the excess of fair value over the price at which shares were issued under this plan to operations at the date of the grant. These charges amounted to $0.4 million in 2001. Shares issued under both plans are restricted as to disposition by the holders as long as these holders remain directors of the Company.

Amortization expense related to the issuance of 60,000 and 50,000 shares in 2000 and 1999, respectively, of the Company's common stock in exchange for non-employee consulting services was $0.8 million, $1.6 million and $1.6 million, in 2003, 2002 and 2001, respectively. These shares vest ratably over a three to five year period. The Company amortizes these shares 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 the Company would have recognized for these plans under the provisions of SFAS No. 123, the pro forma disclosure requirements under this 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:

	2003	2002	2001
Changes in Contingent Stock Plan shares:			
Number of shares available, beginning of year	1,251,350	1,484,450	1,587,050
Shares issued for new awards	(356,705)	(238,900)	(114,450)
Contingent stock forfeited	6,550	5,800	11,850
Number of shares available, end of year	901,195	1,251,350	1,484,450
Weighted average per share market value of stock on grant date	$ 43.09	$ 30.27	$ 40.44
Changes in Directors Stock Plan shares:			
Number of shares available, beginning of year	92,102	55,800	64,200
Shares no longer available under the 1998 Directors Stock Plan	—	(55,800)	—
Shares available under the 2002 Directors Stock Plan	—	100,000	—
Shares granted and issued	(2,724)	(2,605)	(8,400)
Shares granted and deferred	(4,767)	(5,293)	—
Number of shares available, end of year	84,611	92,102	55,800
Weighted average per share market value of stock on grant date	$ 44.08	$ 44.65	$ 44.65

Redeemable Preferred Stock — Series A Convertible Preferred Stock

On July 18, 2003, the Company used cash of $1,298.1 million, including net proceeds of the Company's July 2003 senior notes offering of $1,278.4 million, to redeem all the outstanding shares of its Series A convertible preferred stock at their redemption price of $51.00 per share. The $51.00 per share redemption price included a $1.00 per share redemption premium, or $25.5 million in the aggregate. The $25.5 million paid for the redemption premium reduced shareholders' equity and net earnings ascribed to common shareholders in 2003.

Prior to its redemption in 2003, the Company's Series A convertible preferred stock was listed on the New York Stock Exchange and was convertible at any time into approximately 0.885 of a share of common stock for each share of preferred stock. The holders of these shares voted with the holders of the common stock on an as-converted basis and were entitled to receive cumulative cash dividends, when and as declared by the Board of Directors, at an annual rate of $2.00 per share, payable quarterly in arrears on the first business day of the succeeding calendar quarter. The Series A convertible preferred stock ranked senior to the Company's common stock and junior to the Company's indebtedness.

Because it was subject to mandatory redemption, the Company classified the Series A convertible preferred stock outside of the shareholders' equity section of the consolidated balance sheet. At its date of issuance, the fair value of the Series A convertible preferred stock exceeded its mandatory

redemption amount primarily due to the common stock conversion feature. Accordingly, the Company reflected the book value of the Series A convertible preferred stock in the consolidated balance sheet at its mandatory redemption value.

During 2003, prior to its redemption, the Company repurchased 750,600 shares of the Company's convertible preferred stock at a cost of $36.7 million, representing a cost of $0.79 million below book value. During 2002, the Company repurchased 782,500 shares of the convertible preferred stock at a cost of approximately $28.8 million, representing a cost of approximately $10.3 million below book value. The Company recorded this excess of book value over the purchase price of the preferred stock as an increase to additional paid-in-capital.

The following is a summary of changes during 2003, 2002 and 2001 in shares of the Company's Series A convertible preferred stock:

	2003	2002	2001
Changes in preferred stock:			
Number of shares issued, beginning of year	27,357,599	27,358,084	28,282,362
Redemption of preferred stock	(25,452,037)	—	—
Conversion of preferred stock	(337,462)	(485)	(158)
Retired repurchased preferred stock	(1,568,100)	—	(924,120)
Number of shares issued, end of year	—	27,357,599	27,358,084
Changes in preferred stock in treasury:			
Number of shares held, beginning of year	817,500	35,000	434,900
Purchase of shares during period	750,600	782,500	524,220
Retired repurchased preferred stock	(1,568,100)	—	(924,120)
Number of shares held, end of year	—	817,500	35,000

Stock Options

Stock option plans in which specified employees of the Cryovac packaging business participated were terminated effective March 31, 1998 in connection with the Cryovac transaction, except with respect to options that remained outstanding as of this date. All of these options had been granted at an exercise price equal to their fair market value on the date of grant. At December 31, 2003, these options had per share exercise prices ranging from $21.24 to $42.19, a weighted-average remaining contractual life of approximately 2.6 years, and terms expiring up to March 2007.

During 2003, 2002 and 2001, the holders exercised options to purchase 125,277, 27,911 and 19,997 shares, respectively, with an aggregate exercise price of $4.7 million, $0.9 million and $0.5 million, respectively. At December 31, 2003, 2002 and 2001, the cumulative number of options to purchase 23,763, 23,763 and 15,590 shares of common stock, respectively, had expired. At December 31, 2003, 2002 and 2001, options to purchase 210,715, 335,992 and 371,178 shares of common stock, respectively, were outstanding at average per share exercise prices of $39.46, $38.66 and $38.28, respectively.

Note 16 Supplementary Cash Flow Information

	2003	2002	2001
Interest payments, net of amounts capitalized	$ 79.5	$ 64.5	$ 65.2
Income tax payments	$ 161.3	$ 165.1	$ 141.7
Non-cash items:			
Issuance of shares of common stock to the profit sharing plan	$ 9.8	$ —	$ —

Note 17 Earnings (Loss) Per Common Share

Basic earnings (loss) per common share were $2.21 for 2003, $(4.20) for 2002 and $1.30 for 2001. Diluted earnings (loss) per common share were $2.00 for 2003, $(4.30) for 2002 and $1.22 for 2001. Excluding goodwill amortization in 2001, basic earnings per common share would have been $1.99 and diluted earnings per common share would have been $1.89 in 2001.

On July 18, 2003, the Company redeemed all of the outstanding shares of its Series A convertible preferred stock at a redemption price of $51.00 per share. The Company also paid accrued dividends on the preferred stock from July 1, 2003 through July 17, 2003 in the aggregate amount of $2.40 million. The $51.00 per share redemption price included a $1.00 per share redemption premium, or an aggregate premium of $25.5 million and is reflected in Basic earnings (loss) per common share in 2003.

Gains attributable to the repurchase of preferred stock for 2003, 2002 and 2001 were $0.8, $10.3 and $7.4 million, respectively, and are reflected in basic earnings (loss) per common share for these years.

For the purpose of calculating diluted earnings (loss) per common share for 2002 and 2001, the Company has adjusted net earnings ascribed to common shareholders to exclude the gains attributable to the repurchase of preferred stock and to add back dividends attributable to such repurchased preferred stock and has adjusted the weighted average common shares outstanding to assume conversion of the shares of preferred stock repurchased during these periods in accordance with the FASB's Emerging Issues Task Force Topic D-53 guidance.

In calculating diluted earnings per common share, the Company's calculation of the weighted average number of common shares for 2003 assumes the issuance of nine million shares of common stock reserved for the asbestos settlement (as described in Note 18 to the Consolidated Financial Statements under the caption "Asbestos Settlement and Related Costs"), and the exercise of dilutive stock options, net of assumed treasury stock repurchases. For 2002 and 2001, the calculation of weighted average number of common shares assumes the effect of the weighted average conversion of repurchased shares of preferred stock. The Company has not assumed the conversion of the outstanding preferred stock in the calculation of diluted (loss) earnings per common share in 2002 and 2001, because the treatment of the preferred stock as the common stock into which it was convertible would be anti-dilutive, meaning the issuance would reduce the loss per common share or increase earnings per common share, in those years. The Company did not reflect the shares of common stock reserved for issuance for the asbestos settlement in the 2002 loss per common share calculation since the effect would have been anti-dilutive.

The following table sets forth the reconciliation of the basic and diluted earnings per common share computations for the years ended December 31, 2003, 2002 and 2001 (shares in millions):

	2003	2002	2001
Basic EPS:			
Numerator			
Net earnings (loss)	$ 240.38	$ (309.07)	$ 156.70
Less: Excess of redemption price over book value of preferred stock	25.45	—	—
Add: Excess of book value over repurchase price of preferred stock	0.79	10.29	7.45
Less: Preferred stock dividends	28.61	53.84	55.02
Net earnings (loss) ascribed to common shareholders — basic	$ 187.11	$ (352.62)	$ 109.13
Denominator			
Weighted average common shares outstanding — basic	84.66	83.93	83.69
Basic earnings (loss) per common share	$ 2.21	$ (4.20)	$ 1.30
Diluted EPS:			
Numerator			
Net earnings (loss) ascribed to common shareholders — basic	$ 187.11	$ (352.62)	$ 109.13
Add: Dividends associated with repurchased preferred stock	—	0.77	0.3
Less: Excess of book value over repurchase price of preferred stock	—	10.29	7.45
Net earnings (loss) ascribed to common shareholders — diluted	$ 187.11	$ (362.14)	$ 101.98
Denominator			
Weighted average common shares outstanding — basic	84.66	83.93	83.69
Effect of assumed issuance of asbestos settlement shares	9.00	—	—
Effect of conversion of repurchased preferred stock	—	0.36	0.21
Effect of assumed exercise of options	0.03	—	—
Weighted average common shares outstanding — diluted	93.69	84.29	83.90
Diluted earnings (loss) per common share	$ 2.00	$ (4.30)	$ 1.22

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

Note 18 Commitments and Contingencies

Asbestos Settlement and Related Costs

On November 27, 2002, the Company reached an agreement in principle with the Committees appointed to represent asbestos claimants in the bankruptcy case of W. R. Grace & Co., known as Grace, to resolve all current and future asbestos-related claims made against the Company and its affiliates in connection with the Cryovac transaction described below. The settlement will also resolve the fraudulent transfer claims, as well as indemnification claims by Fresenius Medical Care Holdings, Inc. and affiliated companies, that had been made against the Company in connection with the Cryovac transaction. On December 3, 2002, the agreement in principle was approved by the Company's Board of Directors. The Company received notice that both of the Committees had approved the agreement in principle as of December 5, 2002. For a description of the Cryovac Transaction, asbestos-related claims and the parties involved, see "Cryovac Transaction" and "Contingencies Related to the Cryovac Transaction" below.

The Company recorded a charge of $850.1 million as a result of the asbestos settlement in its consolidated statement of operations as of December 31, 2002. The charge consisted of the following items:

- a non-cash charge of $512.5 million covering a cash payment that the Company will be required under the settlement to make upon the effectiveness of a plan of reorganization in the Grace bankruptcy. Because the Company cannot predict when a plan of reorganization may become effective, the Company recorded this liability as a current liability on the consolidated balance sheet at December 31, 2002. Under the terms of the settlement, this amount accrues interest at a 5.5% annual rate from December 21, 2002 to the date of payment. The Company has recorded this interest in interest expense in the consolidated statement of operations and in other current liabilities in the consolidated balance sheets.

- a non-cash charge of $321.5 million representing the fair market value at the date the Company recorded the charge of 9 million shares of the Company's common stock expected to be issued under the settlement upon the effectiveness of Grace's plan of reorganization. These shares are subject to customary anti-dilution provisions that adjust for the effects of stock splits, stock dividends and other events affecting the Company's common stock. The fair market value of the Company's common stock was $35.72 per share as of the close of business on December 5, 2002. The Company recorded this amount in its consolidated balance sheet at December 31, 2002 as follows: $0.9 million representing the aggregate par value of these shares in common stock reserved for issuance related to the asbestos settlement, and the remaining $320.6 million, representing the excess of the aggregate fair

market value over the aggregate par value of these common shares in additional paid-in capital. The December 31, 2003 diluted earnings per common share calculation reflects the shares of common stock reserved for issuance related to the asbestos settlement.

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

Asbestos settlement and related costs in 2003 reflected legal and related fees for asbestos-related matters of $2.8 million. In 2001, asbestos settlement and related costs of $12.0 million included $8.1 million related to the Company's guarantee, resulting from the Cryovac transaction, of specified

debt payable by W. R. Grace & Co. — Conn., which filed for reorganization along with its parent company Grace, and $3.9 million of legal and related fees.

Cryovac Transaction

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

Contingencies Related to the Cryovac Transaction

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

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

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

subsidiaries. A transfer would be a fraudulent transfer if the transferor received less than reasonably equivalent value and the transferor was insolvent or was rendered insolvent by the transfer, was engaged or was about to engage in a business for which its assets constitute unreasonably small capital, or intended to incur or believed that it would incur debts beyond its ability to pay as they mature. A transfer may also be fraudulent if it was made with actual intent to hinder, delay or defraud creditors. If a court found any transfers in connection with the Cryovac transaction to be fraudulent transfers, the Company could be required to return the property or its value to the transferor or could be required to fund liabilities of Grace or its subsidiaries for the benefit of their creditors, including asbestos claimants. The Company has reached an agreement in principle and subsequently signed a settlement agreement, described below, that will resolve all these claims. Previously, the Company was unable to estimate the loss or range of loss in the event that there had been a finding that the Cryovac transaction was a fraudulent transfer or gave rise to successor liability.

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

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

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

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

In June 2002, the court permitted the U.S. government to intervene as a plaintiff in the fraudulent transfer proceeding, so that the U.S. government could pursue allegations that remediation expenses

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

On September 20, 2002, in an unrelated bankruptcy case, *Official Committee of Unsecured Creditors of Cybergenics Corp. v. Chinery*, 304 F.3d 316 (3d Cir. 2002), the United States Court of Appeals for the Third Circuit held that only a trustee in bankruptcy or a debtor-in-possession could prosecute a fraudulent transfer action. Since the plaintiffs in the fraudulent transfer case against the Company were the Committees and not a trustee or debtor, and since the law of the Third Circuit is binding in the District of Delaware, where the proceeding was pending, it was uncertain whether the Committees had authority under the law to prosecute the constructive fraudulent transfer case and, accordingly, the future posture of the case was uncertain. In light of the *Cybergenics* decision, on September 27, 2002, the court postponed the trial date, which had originally been set for September 30, 2002, and then on October 24, 2002 issued an order rescheduling the trial to begin on December 2, 2002 but granting the parties permission to ask the Third Circuit to hear an immediate appeal of the order. On October 31, 2002, the Company asked the Third Circuit for permission to appeal the order. Given these circumstances, the Company did not know whether the Committees would be permitted to prosecute the fraudulent transfer and other claims against the Company or whether the Third Circuit might hold that some other party (perhaps the debtor-in-possession or a trustee) might have to prosecute these claims if it so chose. In the Grace bankruptcy proceeding, the debtor-in-possession had already taken the position that it did not believe that the 1998 transaction was a fraudulent transfer.

On November 18, 2002, Judge Alfred M. Wolin, the judge hearing the Company's case, advised the parties that the *Cybergenics* decision would be reheard en banc, which had the effect of vacating the prior decision under Third Circuit rules. Judge Wolin also ordered the Company's fraudulent conveyance trial to commence on December 9, 2002 and ordered the parties to appear for mediation on November 27, 2002.

On November 27, 2002, the Company reached an agreement in principle with the Committees prosecuting the claims against the Company and Cryovac, Inc., to resolve all current and future asbestos-related claims arising from the Cryovac transaction. On the same day, the court entered an order confirming that the parties had reached an amicable resolution of the disputes among the parties and that counsel for the Company and the Committees had agreed and bound the parties to the terms of the agreement in principle. As discussed above, the agreement in principle calls for payment of 9 million shares of Sealed Air common stock and $512.5 million in cash, plus interest on the cash payment at a 5.5% annual rate starting on December 21, 2002 and ending on the effective date of the Grace plan of reorganization, when the Company is required to make the payment. These shares are subject to customary anti-dilution provisions that adjust for the effects of stock splits, stock dividends and other events affecting the Company's common stock. On December 3, 2002, the Company's Board of Directors approved the agreement in principle. The Company received notice that both of the Committees had approved the agreement in principle as of December 5, 2002. The parties subsequently

signed a definitive settlement agreement as of November 10, 2003 consistent with the terms of the agreement in principle. On November 26, 2003, the parties jointly presented the definitive settlement agreement to the court for approval. After approval of the agreement, the agreement will eventually be incorporated into Grace's plan of reorganization and, assuming approval by Grace's creditors as part of the approval of the plan of reorganization, will then be implemented.

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

The Company does not know when Grace's plan of reorganization will be presented to the court for approval, nor does it know whether the plan of reorganization will be consistent with the terms of the settlement or if the other conditions to the Company's obligation to pay the settlement amount will be met. If these conditions are not satisfied or not waived by the Company, the Company will not be obligated to pay the settlement amount. However, if the Company does not pay the settlement amount, the Company and its affiliates will not be released from the various asbestos-related, fraudulent transfer, and indemnification claims made against them, and all of these claims would remain pending and would have to be resolved through other means, such as through agreement on alternative settlement terms or trials.

In January 2002, the Company filed a declaratory judgment action against Fresenius Medical Care Holdings, Inc., its parent, Fresenius AG, a German company, and specified affiliates in New York State court asking the court to resolve a contract dispute between the parties. The Fresenius parties contended that the Company was obligated to indemnify them for liabilities that they might incur as a result of the 1996 Fresenius transaction mentioned above. The Fresenius parties' contention was based on their interpretation of the agreements between them and W. R. Grace & Co. — Conn. in connection with the 1996 Fresenius transaction. In February 2002, the Fresenius parties announced that they had accrued a charge of $172.0 million for these potential liabilities, which include pre-transaction tax liabilities of Grace and the costs of defense of litigation arising from Grace's Chapter 11 filing. The Company believed that it was not responsible to indemnify the Fresenius parties under the 1996

agreements and filed the action to proceed to a resolution of the Fresenius parties' claims. In April 2002, the Fresenius parties filed a motion to dismiss the action and for entry of declaratory relief in its favor. The Company opposed the motion, and in July 2003, the court denied the motion without prejudice in view of the November 27, 2002 agreement in principle referred to above. As noted above, under the settlement agreement, there will be mutual releases exchanged between the Fresenius parties and the Company releasing any and all claims related to the 1996 Fresenius transaction.

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

Final determinations and accountings under the Cryovac transaction agreements with respect to matters pertaining to the transaction had not been completed at the time of Grace's Chapter 11 filing in 2001. The Company has filed claims in the bankruptcy proceeding that reflect all of the costs and liabilities that it has incurred or may incur that Grace and its affiliates agreed to retain or that are subject to indemnification by Grace and its affiliates under the Cryovac transaction agreements, other than payments to be made under the settlement agreement. Grace has alleged that the Company is responsible for specified amounts under the Cryovac transaction agreements. Any amounts for which the Company may be liable to Grace may be used to offset the liabilities of Grace and its affiliates to the Company. The Company intends to seek indemnification by Grace and its affiliates for defense costs related to asbestos and fraudulent transfer litigation and the Fresenius claims, and approximately $8.1 million paid by the Company on account of its guaranty of debt issued by W. R. Grace & Co. — Conn. Except to the extent of any potential setoff or similar claim, the Company expects that its claims will be as an unsecured creditor of Grace. Since portions of the Company's claims against Grace and its affiliates are contingent or unliquidated, to the Company cannot determine the amount of the Company's claims, the extent to which these claims may be reduced by setoff, how much of the claims may be allowed, or the amount of the Company's recovery on these claims, if any, in the bankruptcy proceeding.

On September 15, 2003, the case of *Senn v. Hickey, et al*. (Case No. 03-CV-4372) was filed in the U.S. District Court for the District of New Jersey (Newark). This lawsuit seeks class action status on behalf of all persons who purchased or otherwise acquired securities of the Company during the period from March 27, 2000 through July 30, 2002. The lawsuit names the Company and specified current and former officers and directors of the Company as defendants. The Company is required to provide indemnification to the other defendants, and accordingly the Company's counsel is also defending them. The lawsuit makes a number of allegations against the defendants. The principal allegations are that during the above period the defendants materially misled the investing public, artificially inflated the price of the Company's common stock by publicly issuing false and misleading statements and violated GAAP by failing to accrue for the Company's contingent liability for asbestos claims arising from past operations of Grace. The plaintiffs seek compensatory damages and other relief. The Company intends to vigorously defend the lawsuit, since the Company believes that it properly disclosed its contingent liability for Grace's asbestos claims. Although the Company currently believes that it should have no liability in this lawsuit, until the lawsuit has progressed beyond its current preliminary stage, the Company cannot estimate the potential cost of an unfavorable outcome, if any.

Leases

The Company is obligated under the terms of various leases covering primarily warehouse and office facilities and production equipment, as well as smaller manufacturing sites that it occupies. The Company accounts for substantially all of its leases as operating leases. Net rental expense was $27.0 million, $24.3 million and $23.2 million for 2003, 2002 and 2001, respectively. Estimated future minimum annual rental commitments under noncancelable real and personal property leases are as follows: 2004 — $27.2 million; 2005 — $21.5 million; 2006 — $16.1 million; 2007 — $13.3 million; 2008 — $9.9 million; and subsequent years — $10.2 million.

Long-Term Commitments

The Company has the following long-term commitments:

- Approximately $18.9 million for the purchase of equipment over a five-year period which began in 2003, together with a potential termination fee in an amount to be determined. The Company's obligation is reduced or increased based on market price changes for the equipment and changes in the Packaging Machinery Manufacturers Index. Estimated future minimum annual commitments are as follows: 2004 — $3.9 million; 2005 — $4.5 million; 2006 — $5.0 million; and 2007 — $5.5 million. Failure to purchase any of the minimum annual requirements in any year obligates the Company to pay an amount of 45% of such shortfall. During 2003 the Company did not meet the minimum equipment purchase requirements and recorded a charge of $1.0 million.

- Approximately $12.9 million minimum commitment for the purchase of telecommunications and network capacity and services over a four-year period that began in 2004.

- Approximately $8.4 million to a supplier if the Company fails to purchase 126.3 million pounds of specified raw materials, at the then current market price, over a ten-year period that began in May, 2002. The amount of the potential contingent payment declines in proportion to the Company's purchase of minimum quantities required under the contract. At December 31, 2003, the Company's purchases were in line with the minimum quantity requirements under the agreement.

- Approximately $6.0 million to a supplier of raw materials under an agreement that provides that the Company commits to purchase a specified quantity of raw materials at a fixed price through 2004.

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. The Company does not believe that it is reasonably possible that its liability in excess of the amounts that it has accrued for environmental matters will be material to its consolidated statements of operations, balance sheets or cash flows. Environmental liabilities are reassessed

whenever circumstances become better defined or remediation efforts and their costs can be better estimated. The Company evaluates these liabilities periodically based on available information, including the progress of remedial investigations at each site, the current status of discussions with regulatory authorities regarding the methods and extent of remediation and the apportionment of costs among potentially responsible parties. As some of these issues are decided (the outcomes of which are subject to uncertainties) or new sites are assessed and costs can be reasonably estimated, the Company adjusts the recorded accruals, as necessary. The Company believes that these exposures are not material to its consolidated results of operations and balance sheets. The Company believes that it has adequately reserved for all probable and estimable environmental exposures.

Note 19 New Accounting Pronouncements

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

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

In connection with the transitional impairment evaluation, SFAS No. 142 required the Company to assess whether goodwill and other intangible assets were impaired as of January 1, 2002. As required by this statement, the Company completed its assessment process on a reporting unit basis as of June 30, 2002 and determined that no impairment charge was necessary as of January 1, 2002. A reporting unit is the operating segment unless, at businesses one level below that operating segment — the "component" level — discrete financial information is prepared and regularly reviewed by management and the component has economic characteristics that are different from the economic characteristics of the other components of the operating segments, in which case this component is the reporting unit. A company must use a fair value approach to test goodwill for impairment. A company must recognize an impairment charge for the amount, if any, by which the carrying amount of goodwill exceeds its fair value. The Company derives an estimate of fair values for the Company as a whole and for each of the Company's reporting units by using discounted cash flows, equity market capitalization and comparative market multiples.

As of December 31, 2003 and 2002, the Company had unamortized goodwill in the amount of $1,939.5 million and $1,926.2 million, respectively. Amortization expense related to goodwill was

$57.0 million in 2001. Beginning January 1, 2002, in accordance with SFAS No. 142, the Company stopped recording amortization expense related to goodwill. Although the Company no longer systematically amortizes goodwill, this standard requires that the Company conduct periodic reviews to assess whether or not the carrying amount of goodwill may be impaired. These reviews could result in future write-downs of goodwill which would be reflected as a charge against operating income.

As required by SFAS No. 142, goodwill and intangible assets with indefinite useful lives have to be tested for impairment at least annually in accordance with the provisions of SFAS No. 142. The Company completed its annual testing for impairment for 2003 and 2002 during the fourth quarters of each year and determined that no impairment charge was necessary on a reporting unit basis in either period.

As of December 31, 2003 and 2002, the Company had identifiable intangible assets with definite useful lives with a gross carrying value of $70.8 million and $69.1 million, respectively, less accumulated amortization of $54.5 million and $47.7 million, respectively. These identifiable intangible assets therefore are immaterial to the Company's consolidated balance sheets. Amortization of identifiable intangible assets was approximately $6.1 million for 2003. Assuming no change in the gross carrying value of identifiable intangible assets from the value at December 31, 2003, the estimated amortization for the year ended December 31, 2003 and the next four succeeding years is approximately $6.1 million per year. These assets are reflected in "other assets" in the Company's consolidated balance sheets. At December 31, 2003 and 2002, there were no identifiable intangible assets, other than goodwill, with indefinite useful lives as defined by SFAS No. 142.

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

	For the Year Ended December 31, 2001		
	December 31, 2001 As Reported	Add Back: Goodwill Amortization	December 31, 2001 Adjusted
Basic EPS:			
Numerator			
Net earnings	$ 156.70	$ 57.01	$ 213.71
Add: Excess of book value over repurchase price of preferred stock	7.45	—	7.45
Less: Preferred stock dividends	55.02	—	55.02
Net earnings ascribed to common shareholders — basic	$ 109.13	$ 57.01	$ 166.14
Denominator			
Weighted average common shares outstanding — basic	83.69	—	83.69
Basic earnings per common share	$ 1.30	$ 0.69	$ 1.99
Diluted EPS:			
Numerator			
Net earnings ascribed to common shareholders — basic	$ 109.13	$ 57.01	$ 166.14
Less: Excess of book value over repurchase price of preferred stock	7.45	—	7.45
Add: Dividends associated with repurchased preferred stock	0.3	—	0.3
Net earnings ascribed to common shareholders — diluted	$ 101.98	$ 57.01	$ 158.99
Denominator			
Weighted average common shares outstanding — basic	83.69	—	83.69
Effect of conversion of repurchased preferred stock	0.21	—	0.21
Weighted average common shares outstanding — diluted	83.90	—	83.90
Diluted earnings per common share	$ 1.22	$ 0.67	$ 1.89

In December 2003, the Securities and Exchange Commission issued Staff Accounting Bulletin ("SAB") 104, "Revenue Recognition." The SAB updates portions of the interpretive guidance included in Topic 13 of the codification of staff accounting bulletins in order to make the guidance consistent with current authoritative accounting literature. The principal revisions relate to the incorporation of certain sections of the staff's frequently asked questions document on revenue recognition into Topic 13. The adoption of SAB 104 did not have a material impact on the Company's consolidated financial statements.

In November 2003, FASB Interpretation No. ("FIN") 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness to Others, an interpretation of FASB Statements No. 5, 57 and 107 and a rescission of FASB Interpretation No. 34" was issued. This Interpretation enhances disclosures to be made by a guarantor in its interim and annual financial statements about its obligations under guarantees. The Interpretation also clarifies that a guarantor is required to recognize, at inception of a guarantee, a liability for the fair value of the obligation undertaken. The initial recognition and measurement provisions of the Interpretation were

applicable to guarantees issued or modified after December 31, 2002, and the disclosure requirements were effective for financial statements for interim or annual periods ending after December 15, 2002. The adoption of FIN 45 did not have a material impact on the Company's consolidated financial statements.

In April 2003, the FASB issued Statement No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities." SFAS No. 149 is intended to result in more consistent reporting of contracts as either freestanding derivative instruments subject to SFAS No. 133 in its entirety, or as hybrid instruments with debt host contracts and embedded derivative features. In addition, SFAS No. 149 clarifies the definition of a derivative by providing guidance on initial net investments related to derivatives. SFAS 149 is effective for contracts entered into or modified after June 30, 2003. The adoption of SFAS No. 149 did not have a material impact on the Company's consolidated financial statements.

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

In January 2003, the Emerging Issues Task Force issued EITF 02-16, "Accounting by a Customer (Including a Reseller) for Certain Consideration Received from a Vendor," which states that cash consideration received from a vendor is presumed to be a reduction of the prices of the vendor's products or services and should, therefore, be characterized as a reduction of cost of sales when recognized in the consolidated statements of operations. That presumption is overcome when the consideration is either a reimbursement of specific, incremental, identifiable costs incurred to sell the vendor's products or a payment for assets or services delivered to the vendor. EITF 02-16 is effective for arrangements entered into after December 31, 2002. The adoption of EITF 02-16 did not have a material impact on the Company's consolidated financial statements.

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation — Transition and Disclosure," which provides alternative methods of transition for companies that choose to switch to the fair value method of accounting for stock options. SFAS No. 148 also makes changes in the disclosure requirements for stock-based compensation, regardless of which method of accounting is chosen. The Company had terminated all previously maintained stock option plans effective March 31, 1998 in connection with the Cryovac transaction, except with respect to options that were still outstanding as of that date. The adoption of SFAS No. 148 did not have a material impact on the Company's consolidated financial statements.

In April 2002, FASB issued SFAS No. 145, "Rescission of SFAS No. 4, 44 and 64, Amendment of SFAS No. 13, and Technical Corrections." SFAS 145 amends existing guidance on reporting gains and losses on the extinguishment of debt to prohibit the classification of the gain or loss as extraordinary, as the use of such extinguishments have become part of the risk management strategy of many companies. SFAS No. 145 also amends SFAS No. 13, "Accounting for Leases," to require sale-leaseback accounting for certain lease modifications that have economic effects similar to sale-leaseback transactions. The provisions of Statement 145 related to the rescission of SFAS No. 4, "Reporting Gains and Losses from

Extinguishment of Debt," were applied in fiscal years beginning after May 15, 2002. The provisions of Statement 145 related to Statement 13 were effective for transactions occurring after May 15, 2002. In December 2003, the Company used net cash of $208.2 million to repurchase, at a premium in the open market, $122.5 million face amount of its 8.75% senior notes and $50.0 million face amount of its 6.95% senior notes and terminate interest rate swaps on the 8.75% senior notes with a total notional amount of $100.0 million which resulted in a loss of $33.6 million, which the Company reflected in the statement of operations as "Loss on debt repurchase" in accordance with the provisions of SFAS 145.

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

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity." SFAS No. 150 establishes standards for how an issuer classifies and measures specified financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify a financial instrument that is within its scope as a liability (or an asset in some circumstances). Many of those instruments were previously classified as equity. SFAS No. 150 became effective for the Company on July 1, 2003. The adoption of SFAS No. 150 did not have a material impact on the Company's consolidated financial statements.

In December 2003, FASB issued SFAS No. 132 (revised), "Employers' Disclosures about Pensions and Other Postretirement Benefits." SFAS No. 132 (revised) prescribes employers' disclosures about pension plans and other postretirement benefit plans; it does not change the measurement or recognition of those plans. SFAS No. 132 (revised) reforms and revises the disclosure requirements contained in the original Statement. It also requires additional disclosures about the assets, obligations, cash flows, and net periodic benefit cost of defined benefit pension plans and other postretirement benefit plans. The statement generally is effective for U.S. plan disclosures for fiscal years ending after December 15, 2003. Disclosures for non-U.S. plans are not affected until fiscal years ending after December 15, 2004. The Company's disclosures in Note 11 incorporate the changes prescribed by SFAS No. 132 (revised).

In December 2003, the FASB issued FASB Interpretation No. ("FIN") 46 (revised December 2003), "Consolidation of Variable Interest Entities," which addresses how a business enterprise should evaluate whether it has a controlling financial interest in an entity through means other than voting rights and, accordingly, should consolidate the entity. FIN 46R replaces FIN 46, "Consolidation of Variable Interest Entities," which was issued in January 2003. The Company will be required to apply FIN 46R to variable interests in VIEs created after December 31, 2003. For variable interests in VIEs created before January 1, 2004, the Interpretation will be applied beginning on January 1, 2005. For

any VIEs that must be consolidated under FIN 46R that were created before January 1, 2004, the assets, liabilities, and noncontrolling interests of the VIE initially would be measured at their carrying amounts with any difference between the net amount added to the balance sheet and any previously recognized interest being recognized as the cumulative effect of an accounting change. If determining the carrying amounts is not practicable, fair value at the date FIN 46R first applies may be used to measure the assets, liabilities and noncontrolling interest of the VIE. The Company does not currently expect the adoption of FIN 46R to have a material impact on the 2004 consolidated financial statements.

Note 20 Interim Financial Information (Unaudited)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter(2)
2003 (1)				
Net sales	$ 822.9	$ 865.6	$ 908.7	$ 934.8
Gross profit	259.5	269.5	288.9	294.9
Net earnings	61.7	65.8	66.1	46.9
Preferred stock dividends	13.3	12.9	2.4	—
Earnings per common share — basic(3)	0.57	0.63	0.45	0.55
Earnings per common share — diluted(3)	0.52	0.56	0.41	0.50
2002 (1)				
Net sales	$ 746.1	$ 786.3	$ 825.8	$ 846.1
Gross profit	250.6	260.0	264.1	282.9
Net earnings (loss)	60.5	66.0	66.2	(501.8)
Preferred stock dividends	13.7	13.6	13.3	13.3
Earnings (loss) per common share — basic(3)	0.56	0.66	0.70	(6.12)
Earnings (loss) per common share — diluted(3)	0.56	0.61	0.62	(6.13)

(1) The sum of the four quarterly amounts may not equal the full year amounts due to rounding in each period.

(2) In November 2002, the Company reached an agreement in principle with the appropriate parties to resolve all current and future asbestos-related claims made against it and its affiliates in connection with the Cryovac transaction. The parties signed a definitive settlement agreement as of November 10, 2003 consistent with the terms of the agreement in principle. In connection with this settlement, the Company recorded a pre-tax charge of $850.1 million in the consolidated statement of operations in 2002, which resulted in the Company's net loss for the year ended December 31, 2002. See Note 18 to the Consolidated Financial Statements.

(3) The sums of the four quarterly earnings per common share amounts may not equal the amounts reported for the full years since each period is calculated separately.

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

None.

Item 9A. Controls and Procedures

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

As of the end of the period covered by this report, the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures under Rule 13a-15. Based upon that evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective at the reasonable assurance level.

There has not been any change in the Company's internal control over financial reporting during the Company's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

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 except as set forth below will be included in the Company's Proxy Statement for its 2004 Annual Meeting of Stockholders under the captions "Election of Directors — Information Concerning Nominees" and "Section 16(a) Beneficial Ownership Reporting Compliance." All such information is incorporated herein by reference.

The Company has adopted a Code of Conduct applicable to all officers and employees and a supplemental Code of Ethics for Senior Financial Executives applicable to the Company's Chief Executive Officer, Chief Financial Officer, Controller, Treasurer, and all other employees performing similar functions for the Company. The texts of the Code of Conduct and the Code of Ethics for Senior Financial Executives are posted on the Company's Internet web site at *www.sealedair.com*. The Company will post amendments to the Code of Conduct and the Code of Ethics for Senior Financial Executives on its Internet web site. The Company will also post waivers applicable to any of the senior financial officers listed above from provisions of the Code of Conduct or the Code of Ethics for Senior Financial Executives on its Internet web site.

The Company's Board of Directors has adopted Corporate Governance Guidelines and charters for its three standing committees, the Audit Committee, the Nominating and Corporate Governance Committee, and the Organization and Compensation Committee. Copies of the Corporate Governance Guidelines and the charters are posted on the Company's Internet web site at *www.sealedair.com* and are available in print to any stockholder who requests them by calling the Company at 201-791-7600 or writing to Investor Relations, Sealed Air Corporation, Park 80 East, Saddle Brook, New Jersey 07663-5291.

The Company's Audit Committee is comprised of directors Hank Brown, who serves as chairman, Michael Chu and Lawrence R. Codey. The Company's Board of Directors has determined that each of the three members of the Audit Committee is an audit committee financial expert in accordance with the standards of the Securities and Exchange Commission and that each is independent, as defined in the listing standards of the New York Stock Exchange, Inc. applicable to the Company and as determined by the Board of Directors.

Item 11. Executive Compensation

The information required in response to this Item will be set forth in the Company's Proxy Statement for its 2004 Annual Meeting of Stockholders under the captions "Director Compensation," "Executive Compensation—Summary Compensation Table" and "Meetings and Committees of the Board of Directors; Status of Members — Compensation Committee Interlocks and Insider Participation." Such information is incorporated herein by reference.

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

Except as set forth below, the information required in response to this Item will be set forth in the Company's Proxy Statement for its 2004 Annual Meeting of Stockholders under the caption "Voting Securities." Such information is incorporated herein by reference.

Equity Compensation Plan Information as of December 31, 2003

The following table provides information as of December 31, 2003 with respect to shares of Common Stock that may be issued under the Contingent Stock Plan of Sealed Air Corporation and the Sealed Air Corporation 2002 Stock Plan for Non-Employee Directors.

Plan Category(1)	Number of Securities to be	Weighted-Average	Number of Securities

	Issued Upon Exercise of Outstanding Options, Warrants and Rights (a)	Exercise Price of Outstanding Options, Warrants, and Rights (b)	Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) (c)
Equity compensation plans approved by stockholders(2)	70,560	(2)	985,806
Equity compensation plans not approved by stockholders	—	—	—
Total	70,560	—	985,806

(1) The table does not include information concerning equity compensation plans that have been terminated. Stock option plans in which employees of the Cryovac packaging business participated were terminated as of March 31, 1998 in connection with the Cryovac transaction except with respect to options that were still outstanding as of that date. At December 31, 2003, a total of 188,830 shares of Common Stock were issuable upon the exercise of those outstanding options at an average per share exercise price of $39.36.

(2) Consists of the Contingent Stock Plan and the 2002 Stock Plan for Non-Employee Directors. Column (a) includes 60,500 shares awarded under the Contingent Stock Plan but not yet issued as of December 31, 2003, as well as 10,060 deferred stock units held by non-employee directors. The exercise price for shares awarded under the Contingent Stock Plan is $1.00 per share. The exercise price for deferred stock units held by non-employee directors is $0.10 per share, all of which had been paid to the Company prior to December 31, 2003.

Item 13. Certain Relationships and Related Transactions

None.

Item 14. Principal Accountant Fees and Services

The information required in response to this item will be included in the Company's Proxy Statement for its 2004 Annual Meeting of Stockholders under the captions "Principal Independent Auditor Fees" and "Audit Committee Pre-Approval Policies and Procedures." All such information is incorporated herein by reference.

PART IV

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

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

(i) *Financial Statements and Financial Statement Schedule*

See Index to Consolidated Financial Statements and Schedule on page 38 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., and W.R. Grace & Co. (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. (Exhibit 3.1 to the Company's Registration Statement on Form S-3, Registration No. 333-108544, is incorporated herein by reference.)
3.2	Amended and Restated By-Laws of the Company as currently in effect. (Exhibit 3.3 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.)
4.1	Indenture, dated as of July 1, 2003, of the Company, as Issuer, to SunTrust Bank, as Trustee, regarding 5.625% Senior Notes Due 2013 and 6.875% Senior Notes Due 2033. (Exhibit 4.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003, File No. 1-12139, is incorporated herein by reference.)
4.2	Indenture, dated as of July 1, 2003, of the Company, as Issuer, to SunTrust Bank, as Trustee, regarding 3% Convertible Senior Notes Due 2033. (Exhibit 4.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003, File No. 1-12139, is incorporated herein by reference.)
4.3	Registration Rights Agreement, dated as of July 1, 2003, between the Company, as Issuer, and the initial purchasers of the Company's 3% Convertible Senior Notes Due 2033. (Exhibit 4.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003, File No. 1-12139, is incorporated herein by reference.)
10.1	Employee Benefits Allocation Agreement dated as of March 30, 1998 among the Company, W. R. Grace & Co.-Conn. and W. R. Grace & Co. (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, W. R. Grace & Co.-Conn. and W. R. Grace & Co. (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	W. R. Grace & Co. 1996 Stock Incentive Plan, as amended. (Exhibit 10.1 to the Quarterly Report on Form 10-Q of W. R. Grace & Co. for the quarter ended March 31, 1997, File No. 1-12139, is incorporated herein by reference.)*
10.5	W. R. Grace & Co. 1994 Stock Incentive Plan, as amended. (Exhibit 10.6 to the Current Report on Form 8-K filed October 10, 1996 of W. R. Grace & Co., File No. 1-12139, is incorporated herein by reference.) *
10.6	W. R. Grace & Co. 1989 Stock Incentive Plan, as amended. (Exhibit 10.5 to the Current Report on Form 8-K filed October 10, 1996 of W. R. Grace & Co., File No. 1- 12139, is incorporated herein by reference.) *
10.7	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.) *
10.8	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.)*
10.9	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.)*
10.10	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.)*
10.11	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.)*
10.12	Sealed Air Corporation 2002 Stock Plan for Non-Employee Directors. (Annex A to the Company's Proxy Statement for the 2002 Annual Meeting of Stockholders is incorporated herein by reference.)*
10.13	Form of Stock Purchase Agreement for use in connection with the Company's 2002 Stock Plan for Non-Employee Directors. (Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002, File No. 1-12139, is incorporated herein by reference.)*
10.14	Sealed Air Corporation Deferred Compensation Plan for Directors. (Exhibit 10.21 to the Company's Annual Report on Form 10-K for the year ended December 31, 2001, File No. 1-12139, is incorporated herein by reference.)*
10.15	Agreement in Principle, dated November 27, 2002, by and among the Official Committee of Asbestos Personal Injury Claimants, the Official Committee of Asbestos Property Damage Claimants, the Company,

and the Company's subsidiary, Cryovac, Inc. (Exhibit 10.22 to the Company's Annual Report on Form 10-K for the year ended December 31, 2002, File No. 1-12139, is incorporated herein by reference.)

10.16	Settlement Agreement and Release, dated November 10, 2003, by and among the Official Committee of Asbestos Personal Injury Claimants, the Official Committee of Asbestos Property Damage Claimants, the Company, and the Company's subsidiary, Cryovac, Inc. (Exhibit 10.1 to the Company's Amendment No. 3 to its Registration Statement on Form S-3, Registration No. 333-108544, is incorporated herein by reference.)
10.17	Revolving Credit Facility (3-year), dated as of December 19, 2003, among the Company, certain of the Company's subsidiaries, banks and financial institutions party thereto, and Citibank, N.A. as agent for the lenders.
21	Subsidiaries of the Company.
23	Consent of KPMG LLP.
31.1	Certification of William V. Hickey, Chief Executive Officer of the Company, pursuant to Rule 13a-14(a), dated March 11, 2004.
31.2	Certification of David H. Kelsey, Chief Financial Officer of the Company, pursuant to Rule 13a-14(a), dated March 11, 2004.
32.1	Certification of William V. Hickey, Chief Executive Officer of the Company, pursuant to 18 U.S.C. § 1350, dated March 11, 2004.
32.2	Certification of David H. Kelsey, Chief Financial Officer of the Company, pursuant to 18 U.S.C. § 1350, dated March 11, 2004.

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

(b) Reports on Form 8-K:

The Company filed the following Current Report on Form 8-K during the fiscal quarter ended December 31, 2003:

Date Of Report	Disclosures
November 4, 2003	Under Item 5 — "Other Events and Regulation FD Disclosure," the Company reported that it had become aware of a lawsuit seeking class action status on behalf of certain acquirors of the Company's securities (Senn v. Hickey, et al.)

The Company furnished the following Current Report on Form 8-K during the fiscal quarter ended December 31, 2003:

Date Of Report	Disclosures
October 22, 2003	Under Items 7(c) — "Exhibits" and 12 — "Results of Operations and Financial Condition," the Company disclosed its financial results for the third quarter of 2003 and its outlook for the full year 2003.

SEALED AIR CORPORATION AND SUBSIDIARIES
SCHEDULE II
Valuation and Qualifying Accounts and Reserves
Years Ended December 31, 2003, 2002 and 2001
(In millions of dollars)

Description	Balance At Beginning Of Year	Charged To Costs And Expenses	Other	Deductions	Balance At End Of Year
Year ended December 31, 2003:					
Allowance for doubtful accounts	$ 18.7	$ 2.1	$ 1.3	$ (4.2)(1)	$ 17.9
Inventory obsolescence reserve	$ 28.1	$ 7.0	$ 1.0	$ (4.8)(2)	$ 31.3
Year ended December 31, 2002:					
Allowance for doubtful accounts	$ 25.4	$ 5.2	$ (2.6)	$ (9.3)(1)	$ 18.7
Inventory obsolescence reserve	$ 30.3	$ 5.5	$ —	$ (7.7)(2)	$ 28.1
Year ended December 31, 2001:					
Allowance for doubtful accounts	$ 21.2	$ 8.7	$ 0.9	$ (5.4)(1)	$ 25.4
Inventory obsolescence reserve	$ 24.3	$ 10.2	$ 0.7	$ (4.9)(2)	$ 30.3

(1) Primarily accounts receivable balances written off.

(2) Primarily items removed from inventory.

SIGNATURES

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

SEALED AIR CORPORATION
(Registrant)

Date: March 11, 2004

By: /s/ William V. Hickey

William V. Hickey
President and Chief Executive Officer

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

Signature	Date
By /s/ William V. Hickey William V. Hickey President, Chief Executive Officer and Director (Principal Executive Officer)	March 11, 2004
By /s/ David H. Kelsey	March 11, 2004

	David H. Kelsey Senior Vice President and Chief Financial Officer (Principal Financial Officer)	
By	/s/ Jeffrey S. Warren	March 11, 2004
	Jeffrey S. Warren Controller (Principal Accounting Officer)	
By	/s/ Hank Brown	March 11, 2004
	Hank Brown Director	
By	/s/ Michael Chu	March 11, 2004
	Michael Chu Director	
By	/s/ Lawrence R. Codey	March 11, 2004
	Lawrence R. Codey Director	

By	/s/ T. J. Dermot Dunphy	March 11, 2004
	T. J. Dermot Dunphy Director	
By	/s/ Charles F. Farrell, Jr.	March 11, 2004
	Charles F. Farrell, Jr. Director	
By	/s/ Kenneth P. Manning	March 11, 2004
	Kenneth P. Manning Director	
By	/s/ William J. Marino	March 11, 2004
	William J. Marino Director	

QuickLinks

Exhibit 10.17

EXECUTION COPY

U.S. $350,000,000

THREE YEAR CREDIT AGREEMENT

Dated as of December 19, 2003

Among

SEALED AIR CORPORATION
as Company

SEALED AIR CORPORATION (US)
CRYOVAC, INC.
and
SEALED AIR LUXEMBOURG S.C.A.
as Borrowers

THE INITIAL LENDERS NAMED HEREIN
as Initial Lenders

BANK OF AMERICA, N.A.
as Syndication Agent

ABN AMRO BANK N.V.
BNP PARIBAS
And
CREDIT LYONNAIS NEW YORK BRANCH
as Documentation Agents

CITIBANK, N.A.
as Agent

and

CITIGROUP GLOBAL MARKETS INC.
and
BANC OF AMERICA SECURITIES LLC
as Lead Arrangers

TABLE OF CONTENTS

THREE YEAR CREDIT AGREEMENT

Dated as of December 19, 2003

SEALED AIR CORPORATION, a Delaware corporation (the "Company"), SEALED AIR CORPORATION (US), a Delaware corporation ("SAC(US)"), CRYOVAC, INC., a Delaware corporation ("Cryovac"), and SEALED AIR LUXEMBOURG S.C.A., a Luxembourg corporation ("Lux SCA"; the Company, SAC(US), Cryovac and Lux SCA are, collectively, the "Initial Borrowers"), the banks and other financial institutions (the "Initial Lenders") and the initial issuing banks (the "Initial Issuing Banks") listed on the signature pages hereof, and CITIBANK, N.A. ("Citibank"), as agent (the "Agent") for the Lenders (as hereinafter defined), agree as follows:

ARTICLE I

DEFINITIONS AND ACCOUNTING TERMS

SECTION 1.01. Certain Defined Terms. As used in this Agreement, the following terms shall have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

"Accounting Charges" means asset write-downs, restructuring charges and other similar accounting charges, whether or not such charges require a cash payment at any time.

"Acquired Entities" means any Person that becomes a Subsidiary as a result of an Acquisition.

"Acquisition" means (i) an investment by the Company or any of its Subsidiaries in any Person (other than the Company or any of its Subsidiaries) pursuant to which such Person shall become a Subsidiary or shall be merged into or consolidated with the Company or any of its Subsidiaries or (ii) an acquisition by the Company or any of its Subsidiaries of the property and assets of any Person (other than the Company or any of its Subsidiaries) that constitutes substantially all of the assets of such Person or any division or line or business of such Person.

"Advance" means a Revolving Credit Advance, a Swing Line Advance or a Competitive Bid Advance.

"Affiliate" means, as to any Person, any other Person that, directly or indirectly, controls, is controlled by or is under common control with such Person or is a director or officer of such Person. For purposes of this definition, the term "control" (including the terms "controlling", "controlled by" and "under common control with") of a Person means the possession, direct or indirect, of the power to vote 5% or more of the Voting Stock of such Person or to direct or cause the direction of the management and policies of such Person, whether through the ownership of Voting Stock, by contract or otherwise.

"Agent's Account" means (a) in the case of Advances denominated in Dollars, the account of the Agent maintained by the Agent at Citibank at its office at 388 Greenwich Street, New York, New York 10013, Account No. 36852248, Attention: Bank Loan Syndications, (b) in the case of Advances denominated in any Foreign Currency, the account of the Sub-Agent designated in writing from time to time by the Agent to the Company and the Lenders for such purpose and (c) in any such case, such other account of the Agent as is designated in writing from time to time by the Agent to the Company and the Lenders for such purpose.

"Applicable Lending Office" means, with respect to each Lender, such Lender's Domestic Lending Office in the case of a Base Rate Advance and such Lender's Eurocurrency Lending Office in the case of a Eurocurrency Rate Advance and, in the case of a Competitive Bid Advance, the office of such Lender notified by such Lender to the Agent as its Applicable Lending Office with respect to such Competitive Bid Advance.

"Applicable Margin" means as of any date, a percentage per annum determined by reference to the Public Debt Rating in effect on such date as set forth below:

Public Debt Rating S&P/Moody's	Applicable Margin for Base Rate Advances	Applicable Margin for Eurocurrency Rate Advances
Level 1 A- or A3 or above	0.000%	0.450%
Level 2 BBB+ or Baa1	0.000%	0.625%
Level 3 BBB and Baa2	0.000%	0.725%
Level 4 BBB or Baa2	0.000%	0.850%
Level 5 BBB- and Baa3	0.000%	0.925%
Level 6 BBB- or Baa3	0.000%	1.000%
Level 7 BB+ or Ba1	0.375%	1.375%
Level 8 BB or Ba2 or lower	0.500%	1.500%

"Applicable Percentage" means, as of any date, a percentage per annum determined by reference to the Public Debt Rating in effect on such date as set forth below:

Public Debt Rating S&P/Moody's	Applicable Percentage
Level 1 A- or A3 or above	0.100%
Level 2 BBB+ or Baa1	0.125%
Level 3 BBB and Baa2	0.150%
Level 4 BBB or Baa2	0.150%
Level 5 BBB- and Baa3	0.200%
Level 6 BBB- or Baa3	0.250%
Level 7 BB+ or Ba1	0.375%
Level 8 BB or Ba2 or lower	0.500%

"Applicable Utilization Fee" means, as of any date that the sum of the aggregate principal amount of outstanding Advances plus the aggregate Available Amount of outstanding Letters of Credit exceed 50% of the aggregate Revolving Credit Commitments, a percentage per annum determined by reference to the Public Debt Rating in effect on such date as set forth below:

Public Debt Rating S&P/Moody's	Applicable Utilization Fee
Level 1 A- or A3 or above	0.075%

Level 2 BBB+ or Baa1	0.125%
Level 3 BBB and Baa2	0.125%
Level 4 BBB or Baa2	0.125%
Level 5 BBB- and Baa3	0.125%
Level 6 BBB- or Baa3	0.125%
Level 7 BB+ or Ba1	0.250%
Level 8 BB or Ba2 or lower	0.500%

"Assignment and Acceptance" means an assignment and acceptance entered into by a Lender and an Eligible Assignee, and accepted by the Agent, in substantially the form of Exhibit C hereto.

"Available Amount" of any Letter of Credit means, at any time, the maximum amount available to be drawn under such Letter of Credit at such time (assuming compliance at such time with all conditions to drawing).

"Bankruptcy Code" has the meaning specified in Section 6.01(e).

"Bankruptcy Law" means the Bankruptcy Code, or any similar foreign, federal or state law for the relief of debtors.

"Base Rate" means a fluctuating interest rate per annum in effect from time to time, which rate per annum shall at all times be equal to the higher of:

(a) the rate of interest announced publicly by Citibank in New York, New York, from time to time, as Citibank's base rate; and

(b) ½ of one percent per annum above the Federal Funds Rate.

"Base Rate Advance" means a Revolving Credit Advance or a Swing Line Advance, in each case denominated in Dollars, that bears interest as provided in Section 2.08(a)(i).

"Borrower Designation Agreement" means, with respect to any Designated Subsidiary, an agreement in the form of Exhibit F hereto signed by such Designated Subsidiary and the Company.

"Borrowers" means, collectively, each Initial Borrower and each Designated Subsidiary that shall become a party to this Agreement pursuant to Section 9.09.

"Borrowing" means a Revolving Credit Borrowing, a Swing Line Borrowing or a Competitive Bid Borrowing.

"Business Day" means a day of the year on which banks are not required or authorized by law to close in New York City and, if the applicable Business Day relates to any Eurocurrency Rate Advances or LIBO Rate Advances, on which dealings are carried on in the London interbank market and banks are open for business in London and in the country of issue of the currency of such Eurocurrency Rate Advance or LIBO Rate Advance (or, in the case of an Advance denominated in Euro, on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System is open).

"Capital Lease" means any lease of property which, in accordance with generally accepted accounting principles, would be required to be capitalized on the balance sheet of the lessee.

"Change of Control" means the occurrence of either of the following: (i) any "Person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act), excluding an employee benefit or stock ownership plan of the Company, is or shall become the "beneficial owner" (as defined in Rules 13(d)-3 and 13(d)-5 under the Exchange Act), directly or indirectly, of 50% or more on a fully diluted basis of the voting stock of the Company or shall have the right to elect a majority of the directors of the Company or (ii) the Board of Directors of the Company shall cease to consist of a majority of Continuing Directors.

"Commitment" means a Revolving Credit Commitment or a Letter of Credit Commitment.

"Committed Currencies" means lawful currency of Australia, lawful currency of Canada, Euros, lawful currency of Japan, lawful currency of Norway, lawful currency of the United Kingdom of Great Britain and Northern Ireland, lawful currency of Sweden, lawful currency of The Swiss Federation and lawful currency of New Zealand.

"Competitive Bid Advance" means an advance by a Lender to any Borrower as part of a Competitive Bid Borrowing resulting from the competitive bidding procedure described in Section 2.03 and refers to a Fixed Rate Advance or a LIBO Rate Advance.

"Competitive Bid Borrowing" means a borrowing consisting of simultaneous Competitive Bid Advances from each of the Lenders whose offer to make one or more Competitive Bid Advances as part of such borrowing has been accepted under the competitive bidding procedure described in Section 2.03.

"Competitive Bid Note" means a promissory note of any Borrower payable to the order of any Lender, in substantially the form of Exhibit A-2 hereto, evidencing the indebtedness of such Borrower to such Lender resulting from a Competitive Bid Advance made by such Lender.

"Confidential Information" has the meaning specified in Section 9.08.

"Consolidated" refers to the consolidation of accounts in accordance with GAAP.

"Consolidated Assets" means, at any date, the total assets of the Company and its Subsidiaries as at such date determined on a Consolidated basis in accordance with GAAP.

"Consolidated Debt" means, at any time, the sum of (a) all amounts invested by a purchaser (and not repaid) under a Permitted Receivables Financing, (b) all Indebtedness (other than Contingent Obligations) of the Company and its Subsidiaries determined on a Consolidated basis and (c) the amount of "Asbestos Settlement Liability" as shown on the Consolidated balance sheet of the Company and its Subsidiaries.

"Consolidated Interest Expense" for any period means total interest expense (including amounts properly attributable to interest with respect to capital leases in accordance with generally accepted accounting principles and amortization of debt discount and debt issuance costs) of the Company and its Subsidiaries on a Consolidated basis for such period.

"Consolidated Liabilities" means, at any date, the sum of all liabilities of the Company and its Subsidiaries as at such date determined on a Consolidated basis in accordance with GAAP.

"Consolidated Net Debt" means, at any time, Consolidated Debt less cash of the Company and its Domestic Subsidiaries as reflected on the unconsolidated balance sheets of the Company and such Subsidiaries to the extent that the aggregate of such cash exceeds $50,000,000.

"Consolidated Stockholders' Equity" means, at any date, the remainder of (a) Consolidated Assets as at such date, minus (b) Consolidated Liabilities as at such date.

"Contingent Obligation" means, as to any Person, any obligation of such Person guaranteeing any Indebtedness ("primary obligations") of any other Person (the "primary obligor") in any manner, whether directly or indirectly, including, without limitation, any obligation of such Person, whether or not contingent, (i) to purchase any such primary obligation or any property constituting direct or indirect security therefor, (ii) to advance or supply funds (x) for the purchase or payment of any such primary obligation or (y) to maintain working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor, (iii) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation or (iv) otherwise to assure or hold harmless the holder of such primary obligation against loss in respect thereof; provided, however, that the term Contingent Obligation shall not include endorsements of instruments for deposit or collection in the ordinary course of business. The amount of any Contingent Obligation shall be deemed to be an amount equal to the amount such Person guarantees but in any event not more than the stated or determinable amount of the primary obligation in respect of which such Contingent Obligation is made or, if not stated or determinable, the maximum reasonably anticipated liability in respect thereof (assuming such Person is required to perform thereunder) as determined by such Person in good faith.

"Continuing Directors" means the directors of the Company on the Effective Date and each other director, if such director's nomination for election to the Board of Directors of the Company is recommended by a majority of the then Continuing Directors.

"Convert", "Conversion" and "Converted" each refers to a conversion of Revolving Credit Advances of one Type into Revolving Credit Advances of the other Type pursuant to Section 2.09 or 2.10.

"Default" means any Event of Default or any event that would constitute an Event of Default but for the requirement that notice be given or time elapse or both.

"Designated Subsidiary" means any direct or indirect wholly-owned Subsidiary of the Company designated for borrowing privileges under this Agreement pursuant to Section 9.09.

"Dollars" and the "$" sign each means lawful currency of the United States of America.

"Domestic Lending Office" means, with respect to any Lender, the office of such Lender specified as its "Domestic Lending Office" opposite its name on Schedule I hereto or in the Assignment and Acceptance pursuant to which it became a Lender, or such other office of such Lender as such Lender may from time to time specify to the Company and the Agent.

"Domestic Subsidiary" means any Subsidiary of the Company other than a Foreign Subsidiary.

"EBITDA" for any period means the Consolidated net income (or loss) of the Company and its Subsidiaries for such period, adjusted by adding thereto (or subtracting in the case of a gain) the following amounts to the extent deducted or included, as applicable, and without duplication, when calculating Consolidated net income (a) Consolidated Interest Expense, (b) income taxes, (c) any extraordinary gains or losses, (d) gains or losses from sales of assets (other than from sales of inventory in the ordinary course of business), (e) all amortization of goodwill and other intangibles, (f) depreciation, (g) all non-cash contributions or accruals to or with respect to deferred profit sharing or compensation plans, (h) any non-cash gains or losses resulting from the cumulative effect of changes in accounting principles and (i) the pre-tax charge of $850,100,000 related to the Settlement Agreement that the Company recorded in the fourth fiscal quarter of 2002; provided that there shall be included in such determination for such period all such amounts attributable to any Acquired Entity acquired during such period pursuant to an Acquisition to the extent not subsequently sold or otherwise disposed of during such period for the portion of such period prior to such Acquisition; provided further that any amounts added to Consolidated net income pursuant to clause (g) above for any period shall be deducted from Consolidated net income for the period, if ever, in which such amounts are paid in cash by the Company or any of its Subsidiaries.

"Effective Date" has the meaning specified in Section 3.01.

"Eligible Assignee" means (i) a Lender; (ii) an Affiliate of a Lender; and (iii) any other Person approved by the Agent, each Issuing Bank and, unless an Event of Default has occurred and is continuing at the time any assignment is effected in accordance with Section 9.07, the Company, such approvals not to be unreasonably withheld or delayed; provided, however, that neither the Company nor an Affiliate of the Company shall qualify as an Eligible Assignee.

"EMU" means the Economic and Monetary Union as contemplated by the Treaty on European Union.

"Environmental Claims" means any and all administrative, regulatory or judicial actions, suits, demand letters, claims, liens, notices of non-compliance or violation, investigations or proceedings relating in any way to any violation (or alleged violation) by the Company or any of its Subsidiaries under any Environmental Law (hereafter "Claims") or any permit issued under any such law, including, without limitation, (a) any and all Claims by governmental or regulatory authorities for enforcement, cleanup, removal, response, remedial or other actions or damages pursuant to any applicable Environmental Law, and (b) any and all Claims by any third party seeking damages, contribution, indemnification, cost recovery, compensation or injunctive relief resulting from Hazardous Materials or arising from alleged injury or threat of injury to the environment.

"Environmental Law" means any federal, state or local statute, law, rule, regulation, ordinance, code, policy or rule of common law now or hereafter in effect and in each case as amended, and any judicial or administrative interpretation thereof, including any judicial or administrative order, consent, decree or judgment, relating to the environment or Hazardous Materials.

"Equivalent" in Dollars of any Foreign Currency on any date means the equivalent in Dollars of such Foreign Currency determined by using the quoted spot rate at which the Sub-Agent's principal office in London offers to exchange Dollars for such Foreign Currency in London prior to 4:00 P.M. (London time) (unless otherwise indicated by the terms of this Agreement) on such date as is required pursuant to the terms of this Agreement, and the "Equivalent" in any Foreign Currency of Dollars means the equivalent in such Foreign Currency of Dollars determined by using the quoted spot rate at which the Sub-Agent's principal office in London offers to exchange such Foreign Currency for Dollars in London prior to 4:00 P.M. (London time) (unless otherwise indicated by the terms of this Agreement) on such date as is required pursuant to the terms of this Agreement.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, and the regulations promulgated and rulings issued thereunder. Section references to ERISA are to

ERISA, as in effect at the date of this Agreement and any subsequent provisions of ERISA amendatory thereof, supplemental thereto or substituted therefor.

"ERISA Affiliate" means any person (as defined in Section 3(9) of ERISA) which together with the Company or any of its Subsidiaries would be deemed to be a "single employer" (i) within the meaning of Section 414(b), (c), (m) and (o) or the Internal Revenue Code or (ii) as a result of the Company or any of its Subsidiaries being or having been a general partner of such person.

"EURIBO Rate" means the rate appearing on Page 248 of the Moneyline Telerate Service (or on any successor or substitute page of such Service, or any successor to or substitute for such Service, providing rate quotations comparable to those currently provided on such page of such Service, as determined by the Agent from time to time for purposes of providing quotations of interest rates applicable to deposits in Euro by reference to the Banking Federation of the European Union Settlement Rates for deposits in Euro) at approximately 10:00 a.m., London time, two Business Days prior to the commencement of such Interest Period, as the rate for deposits in Euro with a maturity comparable to such Interest Period or, if for any reason such rate is not available, the average (rounded upward to the nearest whole multiple of 1/16 of 1% per annum, if such average is not such a multiple) of the respective rates per annum at which deposits in Euros are offered by the principal office of each of the Reference Banks in London, England to prime banks in the London interbank market at 11:00 A.M. (London time) two Business Days before the first day of such Interest Period in an amount substantially equal (x) in the case of Revolving Credit Borrowings, to such Reference Bank's Eurocurrency Rate Advance comprising part of such Revolving Credit Borrowing to be outstanding during such Interest Period and for a period equal to such Interest Period (subject, however, to the provisions of Section 2.09) or (y) in the case of Competitive Bid Borrowings, to the amount that would be the Reference Banks' respective ratable shares of such Borrowing if such Borrowing were to be a Revolving Credit Borrowing to be outstanding during such Interest Period and for a period equal to such Interest Period (subject, however, to the provisions of Section 2.09).

"Euro" means the lawful currency of the European Union as constituted by the Treaty of Rome which established the European Community, as such treaty may be amended from time to time and as referred to in the EMU legislation.

"Eurocurrency Lending Office" means, with respect to any Lender, the office of such Lender specified as its "Eurocurrency Lending Office" opposite its name on Schedule I hereto or in the Assignment and Acceptance pursuant to which it became a Lender (or, if no such office is specified, its Domestic Lending Office), or such other office of such Lender as such Lender may from time to time specify to the Company and the Agent.

"Eurocurrency Liabilities" has the meaning assigned to that term in Regulation D of the Board of Governors of the Federal Reserve System, as in effect from time to time.

"Eurocurrency Rate" means, for any Interest Period for each Eurocurrency Rate Advance comprising part of the same Revolving Credit Borrowing, an interest rate per annum equal to the rate per annum obtained by dividing (a)(i) in the case of any Revolving Credit Advance denominated in Dollars or any Committed Currency other than Euro, the rate per annum (rounded upward to the nearest whole multiple of 1/16 of 1% per annum) appearing on Moneyline Telerate Markets Page 3750 (or any successor page) as the London interbank offered rate for deposits in Dollars or the applicable Committed Currency at approximately 11:00 A.M. (London time) two Business Days prior to the first day of such Interest Period for a term comparable to such Interest Period or, if for any reason such rate is not available, the average (rounded upward to the nearest whole multiple of 1/16 of 1% per annum, if such average is not such a multiple) of the rate per annum at which deposits in Dollars or the applicable Committed Currency is offered by the principal office of each of the Reference Banks in London, England to prime banks in the London interbank market at 11:00 A.M. (London time) two Business Days before the first day of such Interest Period in an amount substantially equal to such Reference Bank's Eurocurrency Rate Advance

comprising part of such Revolving Credit Borrowing to be outstanding during such Interest Period and for a period equal to such Interest Period or, (ii) in the case of any Revolving Credit Advance denominated in Euros, the EURIBO Rate by (b) a percentage equal to 100% minus the Eurocurrency Rate Reserve Percentage for such Interest Period. If the Moneyline Telerate Markets Page 3750 (or any successor page) is unavailable, the Eurocurrency Rate for any Interest Period for each Eurocurrency Rate Advance comprising part of the same Revolving Credit Borrowing shall be determined by the Agent on the basis of applicable rates furnished to and received by the Agent from the Reference Banks two Business Days before the first day of such Interest Period, subject, however, to the provisions of Section 2.09.

"Eurocurrency Rate Advance" means a Revolving Credit Advance denominated in Dollars or a Committed Currency that bears interest as provided in Section 2.08(a)(ii).

"Eurocurrency Rate Reserve Percentage" for any Interest Period for all Eurocurrency Rate Advances or LIBO Rate Advances comprising part of the same Borrowing means the reserve percentage applicable two Business Days before the first day of such Interest Period under regulations issued from time to time by the Board of Governors of the Federal Reserve System (or any successor) for determining the maximum reserve requirement (including, without limitation, any emergency, supplemental or other marginal reserve requirement) for a member bank of the Federal Reserve System in New York City with respect to liabilities or assets consisting of or including Eurocurrency Liabilities (or with respect to any other category of liabilities that includes deposits by reference to which the interest rate on Eurocurrency Rate Advances or LIBO Rate Advances is determined) having a term equal to such Interest Period.

"Events of Default" has the meaning specified in Section 6.01.

"Federal Funds Rate" means, for any period, a fluctuating interest rate per annum equal for each day during such period to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published for such day (or, if such day is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average of the quotations for such day on such transactions received by the Agent from three Federal funds brokers of recognized standing selected by it.

"Fixed Rate Advances" has the meaning specified in Section 2.03(a)(i), which Advances shall be denominated in Dollars or in any Foreign Currency.

"Foreign Currency" means any Committed Currency and any other lawful currency (other than Dollars) that is freely transferable or convertible into Dollars.

"Foreign Subsidiary" means (i) each Subsidiary of the Company not incorporated under the laws of the United States or of any State thereof and (ii) any other Subsidiary of the Company substantially all of the operations of which remain outside the United States.

"GAAP" has the meaning specified in Section 1.03.

"Guaranteed Obligations" has the meaning specified in Section 7.01.

"Hazardous Materials" means (a) any petrochemical or petroleum products, radioactive materials, asbestos in any form that is or could become friable, urea formaldehyde foam insulation, transformers or other equipment that contain dielectric fluid containing levels of polychlorinated biphenyls, and radon gas; and (b) any chemicals, materials or substances defined as or included in the definition of "hazardous substances," "hazardous wastes," "hazardous materials," "restricted hazardous materials," "extremely hazardous wastes," "restrictive hazardous wastes," "toxic substances," "toxic pollutants," "contaminants" or "pollutants," or words of similar meaning and regulatory effect under any applicable Environmental Law.

"Indebtedness" of any Person means, at any date, without duplication, (i) all obligations of such Person for borrowed money, (ii) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments, (iii) all obligations of such Person to pay the deferred purchase price of property or services (except trade accounts payable and accrued expenses arising in the ordinary course of business) to the extent such amounts would in accordance with GAAP be recorded as debt on a balance sheet of such Person, (iv) all obligations of such Person as lessee which are capitalized in accordance with GAAP, (v) all non-contingent obligations of such Person to reimburse any bank or other Person in respect of amounts paid under a letter of credit (other than letters of credit which secure obligations in respect of trade payables or other letters of credit not securing Indebtedness, unless such reimbursement obligation remains unsatisfied for more than 3 Business Days), (vi) all Indebtedness secured by a Lien on any asset of such Person, whether or not such Indebtedness is otherwise an obligation of such Person, and (vii) all Contingent Obligations of such Person minus the portion of such Contingent Obligation which is secured by a letter of credit naming such Person as beneficiary issued by a bank which, at the time of the issuance (or any renewal or extension) of such letter of credit has a long term senior unsecured indebtedness rating of at least A by S&P or A2 by Moody's.

"Information Memorandum" means the information memorandum dated November 19, 2003 used by the Agent in connection with the syndication of the Commitments.

"Interest Coverage Ratio" for any period means the ratio of EBITDA to the sum of (i) Consolidated Interest Expense for such period and (ii) the aggregate principal amount of dividends paid or accrued on the Company's preferred stock during such period.

"Interest Period" means, for each Eurocurrency Rate Advance comprising part of the same Revolving Credit Borrowing and each LIBO Rate Advance comprising part of the same Competitive Bid Borrowing, the period commencing on the date of such Eurocurrency Rate Advance or LIBO Rate Advance or the date of the Conversion of any Base Rate Advance into such Eurocurrency Rate Advance and ending on the last day of the period selected by the Borrower requesting such Borrowing pursuant to the provisions below and, thereafter, with respect to Eurocurrency Rate Advances, each subsequent period commencing on the last day of the immediately preceding Interest Period and ending on the last day of the period selected by such Borrower pursuant to the provisions below. The duration of each such Interest Period shall be one, two, three or six months, and subject to clause (c) of this definition, nine or twelve months, as the Borrower requesting the Borrowing may, upon notice received by the Agent not later than 11:00 A.M. (New York City time) on the third Business Day prior to the first day of such Interest Period, select; provided, however, that:

(a) such Borrower may not select any Interest Period that ends after the Termination Date;

(b) Interest Periods commencing on the same date for Eurocurrency Rate Advances comprising part of the same Revolving Credit Borrowing or for LIBO Rate Advances comprising part of the same Competitive Bid Borrowing shall be of the same duration;

(c) in the case of any such Revolving Credit Borrowing, such Borrower shall not be entitled to select an Interest Period having duration of nine or twelve months unless, by 2:00 P.M. (New York City time) on the third Business Day prior to the first day of such Interest Period, each Lender notifies the Agent that such Lender will be providing funding for such Revolving Credit Borrowing with such Interest Period (the failure of any Lender to so respond by such time being deemed for all purposes of this Agreement as an objection by such Lender to the requested duration of such Interest Period); provided that, if any or all of the Lenders object to the requested duration of such Interest Period, the duration of the Interest Period for such Revolving Credit Borrowing shall be one, two, three or six months, as specified by such Borrower requesting such Revolving Credit Borrowing in the applicable Notice of Revolving Credit Borrowing as the desired alternative to an Interest Period of nine or twelve months;

(d) whenever the last day of any Interest Period would otherwise occur on a day other than a Business Day, the last day of such Interest Period shall be extended to occur on the next succeeding Business Day, provided, however, that, if such extension would cause the last day of such Interest Period to occur in the next following calendar month, the last day of such Interest Period shall occur on the next preceding Business Day; and

(e) whenever the first day of any Interest Period occurs on a day of an initial calendar month for which there is no numerically corresponding day in the calendar month that succeeds such initial calendar month by the number of months equal to the number of months in such Interest Period, such Interest Period shall end on the last Business Day of such succeeding calendar month.

"Internal Revenue Code" means the Internal Revenue Code of 1986, as amended from time to time, and the regulations promulgated and rulings issued thereunder. Section references to the Internal Revenue Code are to the Internal Revenue Code as in effect at the date of this Agreement, and to any subsequent provisions of the Internal Revenue Code amendatory thereof, supplemental thereto or substituted therefor.

"Issuing Bank" means an Initial Issuing Bank or any Eligible Assignee to which a portion of the Letter of Credit Commitment hereunder has been assigned pursuant to Section 9.07 so long as such Eligible Assignee expressly agrees to perform in accordance with their terms all of the obligations that by the terms of this Agreement are required to be performed by it as an Issuing Bank and notifies the Agent of its Applicable Lending Office (which information shall be recorded by the Agent in the Register), for so long as the Initial Issuing Bank or Eligible Assignee, as the case may be, shall have a Letter of Credit Commitment.

"L/C Cash Deposit Account" means an interest bearing cash deposit account to be established and maintained by the Agent, over which the Agent shall have sole dominion and control, upon terms as may be satisfactory to the Agent.

"L/C Related Documents" has the meaning specified in Section 2.07(c)(i).

"Lenders" means the Initial Lenders, each Issuing Bank, the Swing Line Bank and each Person that shall become a party hereto pursuant to Section 9.07.

"Letter of Credit" has the meaning specified in Section 2.01(c).

"Letter of Credit Agreement" has the meaning specified in Section 2.04(a).

"Letter of Credit Commitment" means, with respect to each Issuing Bank, the obligation of such Issuing Bank to issue Letters of Credit denominated in Dollars to any Borrower in (a) the amount set forth opposite the Issuing Bank's name on the signature pages hereto under the caption "Letter of Credit Commitment", (b) if such Issuing Bank has become an Issuing Bank hereunder pursuant to an Assumption Agreement, the amount set forth in such Assumption Agreement, or (c) if such Issuing Bank has entered into one or more Assignment and Acceptances, the amount set forth for such Issuing Bank in the Register maintained by the Agent pursuant to Section 9.07(g) as such Issuing Bank's "Letter of Credit Commitment", in each case as such amount may be reduced prior to such time pursuant to Section 2.06.

"Letter of Credit Facility" means, at any time, an amount equal to the least of (a) the aggregate amount of the Issuing Banks' Letter of Credit Commitments at such time, (b) $25,000,000 and (c) the aggregate amount of the Revolving Credit Commitments, as such amount may be reduced at or prior to such time pursuant to Section 2.06.

"Leverage Ratio" means (a) at any time prior to the Release Date, the ratio of Consolidated Net Debt at such time to EBITDA for the Test Period last ended and (b) on and after the Release Date, the ratio of Consolidated Debt at such time to EBITDA for the Test Period then ended.

"LIBO Rate" means, for any Interest Period for all LIBO Rate Advances comprising part of the same Competitive Bid Borrowing, an interest rate per annum equal to the rate per annum obtained by dividing (a)(i) in the case of any Competitive Bid Borrowing denominated in Dollars or any Foreign Currency other than Euros, the rate per annum (rounded upward to the nearest whole multiple of 1/16 of 1% per annum) appearing on Moneyline Telerate Markets Page 3750 (or any successor page) as the London interbank offered rate for deposits in Dollars or the applicable Foreign Currency at approximately 11:00 A.M. (London time) two Business Days prior to the first day of such Interest Period for a term comparable to such Interest Period or, if for any reason such rate is not available, the average (rounded upward to the nearest whole multiple of 1/16 of 1% per annum, if such average is not such a multiple) of the rate per annum at which deposits in Dollars or the applicable Foreign Currency is offered by the principal office of each of the Reference Banks in London, England to prime banks in the London interbank market at 11:00 A.M. (London time) two Business Days before the first day of such Interest Period in an amount substantially equal to the amount that would be the Reference Banks' respective ratable shares of such Borrowing if such Borrowing were to be a Revolving Credit Borrowing to be outstanding during such Interest Period and for a period equal to such Interest Period or (ii) in the case of any Competitive Bid Borrowing denominated in Euros, the EURIBO Rate by (b) a percentage equal to 100% minus the Eurocurrency Rate Reserve Percentage for such Interest Period. If the Moneyline Telerate Markets Page 3750 (or any successor page) is unavailable, the LIBO Rate for any Interest Period for each LIBO Rate Advance comprising part of the same Competitive Bid Borrowing shall be determined by the Agent on the basis of applicable rates furnished to and received by the Agent from the Reference Banks two Business Days before the first day of such Interest Period, subject, however, to the provisions of Section 2.09.

"LIBO Rate Advances" means a Competitive Bid Advance denominated in Dollars or in any Foreign Currency and bearing interest based on the LIBO Rate.

"Lien" means any mortgage, pledge, hypothecation, encumbrance, lien (statutory or other) or other security interest of any kind or nature whatsoever (including, without limitation, any conditional sale or other title retention agreement and any Capital Lease).

"Loan Document" means this Agreement, the Notes, the other L/C Related Documents and the Subsidiary Guaranty.

"Loan Parties" means each Borrower and each Subsidiary Guarantor.

"Margin Stock" has the meaning provided in Regulation U of the Board of Governors of the Federal Reserve System.

"Material Acquisition" means an Acquisition in which the aggregate purchase price paid in cash or property (other than property consisting of equity shares or interests or other equivalents of corporate stock of, or partnership or other ownership interests in, the Company), equals or exceeds 10% of the sum (calculated without giving effect to such Acquisition) of (i) Consolidated Debt (determined as at the end of the most recently ended fiscal quarter of the Company), plus (ii) Consolidated Stockholders' Equity (determined as at the end of the then most recently ended fiscal quarter of the Company), plus (iii) any increase thereof attributable to any equity offerings or issuances of capital stock occurring subsequent to the end of such fiscal quarter and before any such purchase or acquisition.

"Material Adverse Effect" means a material adverse effect on (a) the business, condition (financial or otherwise), results of operations or prospects of the Company and its Subsidiaries taken as a whole,

(b) the rights and remedies of the Agent or any Lender under this Agreement or any Note or (c) the ability of the Company to perform its obligations under this Agreement or any Note.

"Material Subsidiary" means any Borrower and any other Subsidiary of the Company that, directly or indirectly through a Subsidiary, either (a) owns assets with a book value in excess of 2% of the book value of the Consolidated Assets measured as of the last day of the most recently completed fiscal quarter for which financial statements have been delivered pursuant to Section 5.01(a)(i) or (ii) or (b) generated annual revenues in excess of 2% of the revenues of the company and its Subsidiaries, taken as a whole, for the most recently completed four fiscal quarter period for which financial statements have been delivered pursuant to Section 5.01(a)(i) or (ii) (determined in each case, if a Material Acquisition occurs, on a pro forma basis assuming such Material Acquisition had been consummated on the first day of the most recently ended four fiscal quarter period).

"Minimum Liquidity" means the sum of (a) cash of the Company and its Domestic Subsidiaries as reflected on the unconsolidated balance sheets of the Company and such Subsidiaries, (b) amounts available to be borrowed under committed lines of credit by the Company and its Domestic Subsidiaries, (c) amounts available under a Permitted Receivables Financing and (d) amounts available to be borrowed under the Dual-Currency Revolving Credit Facility Agreement dated as of March 12, 2002 among Cryovac Australia Pty Ltd, Sealed Air (New Zealand) Limited, Citisecurities Limited, Salomon Smith Barney Australia Securities Pty Limited, Westpac Banking Corporation and the financiers parties thereto.

"Moody's" means Moody's Investors Service, Inc.

"Note" means a Revolving Credit Note or a Competitive Bid Note.

"Notice of Competitive Bid Borrowing" has the meaning specified in Section 2.03(a).

"Notice of Issuance" has the meaning specified in Section 2.04(a).

"Notice of Revolving Credit Borrowing" has the meaning specified in Section 2.02(a).

"Notice of Swing Line Borrowing" has the meaning specified in Section 2.02(b).

"Payment Office" means, for any Foreign Currency, such office of Citibank as shall be from time to time selected by the Agent and notified by the Agent to the Company and the Lenders.

"PBGC" means the Pension Benefit Guaranty Corporation established pursuant to Section 4002 of ERISA or any successor thereto.

"Permitted Encumbrances" means, as of any particular time, (i) such easements, leases, subleases, encroachments, rights of way, minor defects, irregularities or encumbrances on title which are not unusual with respect to property similar in character to any such real property and which do not secure Indebtedness and do not materially impair such real property for the purpose for which it is held or materially interfere with the conduct of the business of the Company or any of its Subsidiaries and (ii) municipal and zoning ordinances, which are not violated by the existing improvements and the present use made by the Company or any of its Subsidiaries of such real property.

"Permitted Receivables Financing" shall have the meaning provided in Section 5.02(e)(ii).

"Person" means an individual, partnership, corporation (including a business trust), joint stock company, trust, unincorporated association, joint venture, limited liability company or other entity, or a government or any political subdivision or agency thereof.

"Plan" means any multiemployer or single-employer plan subject to Title IV of ERISA which is maintained or contributed to by (or to which there is an obligation to contribute to) the Company or a Subsidiary of the Company or an ERISA Affiliate, and each such plan for the five-year period immediately following the latest date on which the Company or a Subsidiary of the Company or an ERISA Affiliate maintained, contributed to or had an obligation to contribute to such plan.

"Post-Petition Interest" has the meaning specified in Section 7.05.

"Public Debt Rating" means, as of any date, the rating that has been most recently announced by either S&P or Moody's, as the case may be, for any class of non-credit enhanced long-term senior unsecured debt issued by the Company or, if any such rating agency shall have issued more than one such rating, the lowest such rating issued by such rating agency. For purposes of the foregoing, (a) if only one of S&P and Moody's shall have in effect a Public Debt Rating, the Applicable Margin, the Applicable Percentage and the Applicable Utilization Fee shall be determined by reference to the available rating; (b) if neither S&P nor Moody's shall have in effect a Public Debt Rating, the Applicable Margin, the Applicable Percentage and the Applicable Utilization Fee will be set in accordance with Level 8 under the definition of "Applicable Margin", "Applicable Percentage" or "Applicable Utilization Fee", as the case may be; (c) if the ratings established by S&P and Moody's shall fall within different levels, the Applicable Margin, the Applicable Percentage and the Applicable Utilization Fee shall be based upon the higher rating unless the such ratings differ by two or more levels, in which case the applicable level will be deemed to be one level above the lower of such levels; (d) if any rating established by S&P or Moody's shall be changed, such change shall be effective as of the date on which such change is first announced publicly by the rating agency making such change; and (e) if S&P or Moody's shall change its system of classification after the date hereof, each reference to the Public Debt Rating announced by S&P or Moody's, as the case may be, shall refer to the then equivalent rating by S&P or Moody's, as the case may be.

"Put Event" has the meaning specified in Section 2.06(b).

"Ratable Share" of any amount means, with respect to any Lender at any time, the product of (a) a fraction the numerator of which is the amount of such Lender's Revolving Credit Commitment at such time and the denominator of which is the aggregate Revolving Credit Commitments at such time and (b) such amount.

"Reference Banks" means Citibank, Bank of America, N.A., Credit Lyonnais New York Branch and ABN AMRO Bank N.V.

"Register" has the meaning specified in Section 9.07(d).

"Release Date" means the earlier of (a) the funding of the Settlement Agreement (after the approval and implementation thereof in the plan of reorganization of W.R. Grace & Co.) and the release of the Company from liability with respect to all current and future asbestos-related claims pursuant to the Settlement Agreement and (b) the Company being otherwise fully released from its liability with respect to such asbestos-related claims (due to changes in federal legislation and rendering of payment, or otherwise).

"Reportable Event" means an event described in Section 4043(b) and (c) of ERISA with respect to a Plan as to which the 30-day notice requirement has not been waived by the PBGC.

"Required Lenders" means at any time Lenders owed at least a majority in interest of the then aggregate unpaid principal amount (based on the Equivalent in Dollars at such time) of the Revolving Credit Advances owing to Lenders, or, if no such principal amount is then outstanding, Lenders having at least a majority in interest of the Revolving Credit Commitments.

"Revolving Credit Advance" means an advance by a Lender to any Borrower as part of a Revolving Credit Borrowing and refers to a Base Rate Advance or a Eurocurrency Rate Advance (each of which shall be a "Type" of Revolving Credit Advance).

"Revolving Credit Borrowing" means a borrowing consisting of simultaneous Revolving Credit Advances of the same Type made by each of the Lenders pursuant to Section 2.01(a).

"Revolving Credit Borrowing Minimum" means, in respect of Revolving Credit Advances denominated in Dollars, $5,000,000, and in respect of Revolving Credit Advances denominated in any Foreign Currency, the Equivalent of $5,000,000 in such Foreign Currency.

"Revolving Credit Borrowing Multiple" means, in respect of Revolving Credit Advances denominated in Dollars, $1,000,000, and in respect of Revolving Credit Advances denominated in any Foreign Currency, the Equivalent of $1,000,000 in such Foreign Currency.

"Revolving Credit Commitment" means as to any Lender (a) the Dollar amount set forth opposite such Lender's name on the signature pages hereof or (b) if such Lender has entered into any Assignment and Acceptance, the Dollar amount set forth for such Lender in the Register maintained by the Agent pursuant to Section 9.07(d), as such amount may be reduced pursuant to Section 2.06.

"Revolving Credit Note" means a promissory note of any Borrower payable to the order of any Lender, delivered pursuant to a request made under Section 2.17 in substantially the form of Exhibit A-1 hereto, evidencing the aggregate indebtedness of such Borrower to such Lender resulting from the Revolving Credit Advances made by such Lender to such Borrower.

"S&P" means Standard & Poor's, a division of The McGraw-Hill Companies, Inc.

"Senior Financial Officer" means the President, the Chief Executive Officer, the Chief Operating Officer, the Chief Financial Officer and the Treasurer of the Company.

"Settlement Agreement" means the Settlement Agreement and Release, dated November 10, 2003, among the Company, the Official Committee of Asbestos Personal Injury Claimants, the Official Committee of Asbestos Property Damage Claimants and Cryovac, as may be amended, supplemented or modified from time to time in accordance with Section 5.02(h) hereof.

"Sub-Agent" means Citibank International plc.

"Subordinated Obligations" has the meaning specified in Section 7.05.

"Subsidiary" of any Person means any corporation, partnership, joint venture, limited liability company, trust or estate of which (or in which) more than 50% of (a) the issued and outstanding capital stock having ordinary voting power to elect a majority of the Board of Directors of such corporation (irrespective of whether at the time capital stock of any other class or classes of such corporation shall or might have voting power upon the occurrence of any contingency), (b) the interest in the capital or profits of such limited liability company, partnership or joint venture or (c) the beneficial interest in such trust or estate is at the time directly or indirectly owned or controlled by such Person, by such Person and one or more of its other Subsidiaries or by one or more of such Person's other Subsidiaries.

"Subsidiary Guarantor" means each Material Subsidiary that is also a Domestic Subsidiary and that is a party to the Subsidiary Guaranty.

"Subsidiary Guaranty" has the meaning specified in Section 3.01(d)(ii).

"Swing Line Advance" means an advance made by the Swing Line Bank pursuant to Section 2.01(b) or any other Lender by purchase from the Swing Line Bank pursuant to Section 2.02(b).

"Swing Line Advance Maturity Date" has the meaning specified in Section 2.02(b).

"Swing Line Bank" means Citibank.

"Swing Line Borrowing" means a Borrowing consisting of a Swing Line Advance made by the Swing Line Bank.

"Termination Date" means the earlier of December 19, 2006 and the date of termination in whole of the Commitments pursuant to Section 2.06 or 6.01.

"Test Period" means the four consecutive fiscal quarters of the Company then last ended, in each case taken as one accounting period.

"Unfunded Current Liability" of any Plan means the amount, if any, by which the actuarial present value of the accumulated plan benefits under the Plan as of the close of its most recent plan year exceeds the fair market value of the assets allocable thereto, each determined in accordance with Statement of Financial Accounting Standards No. 35, based upon the actuarial assumptions used by the Plan's actuary in the most recent annual valuation of such Plan.

"Unissued Letter of Credit Commitment" means, with respect to any Issuing Bank, the obligation of such Issuing Bank to issue Letters of Credit to any Borrower in an amount equal to the excess of (a) the amount of its Letter of Credit Commitment over (b) the aggregate Available Amount of all Letters of Credit issued by such Issuing Bank.

"Unused Commitment" means, with respect to each Lender at any time, (a) the amount of such Lender's Revolving Credit Commitment at such time minus (b) the sum of (i) the aggregate principal amount of all Revolving Credit Advances (based in respect of any Revolving Credit Advances denominated in a Committed Currency on the Equivalent in Dollars at such time) made by such Lender (in its capacity as a Lender) and outstanding at such time, plus (ii) such Lender's Ratable Share of (A) the aggregate Available Amount of all the Letters of Credit outstanding at such time, (B) the aggregate principal amount of all Competitive Bid Advances outstanding at such time and (C) the aggregate principal amount of all Swing Line Advances outstanding at such time.

"Voting Stock" means capital stock issued by a corporation, or equivalent interests in any other Person, the holders of which are ordinarily, in the absence of contingencies, entitled to vote for the election of directors (or persons performing similar functions) of such Person, even if the right so to vote has been suspended by the happening of such a contingency.

"Wholly-Owned Subsidiary" means, as to any Person, (i) any corporation 100% of whose capital stock (other than director's qualifying shares) is at the time owned by such Person and/or one or more Wholly-Owned Subsidiaries of such Person and (ii) any partnership, association, joint venture or other entity in which such Person and/or one or more Wholly-Owned Subsidiaries of such Person has a 100% equity interest at such time.

SECTION 1.02. Computation of Time Periods. In this Agreement in the computation of periods of time from a specified date to a later specified date, the word "from" means "from and including" and the words "to" and "until" each mean "to but excluding".

SECTION 1.03. Accounting Terms. Unless otherwise specified herein, all accounting terms used herein shall be interpreted, all accounting determinations hereunder shall be made, and all financial statements required to be delivered hereunder shall be prepared, in accordance with generally accepted accounting principles as

in effect from time to time, applied on a basis consistent (except for changes concurred with by the Borrower's independent public accountants) with the most recent audited Consolidated financial statements of the Borrower delivered to the Agent ("GAAP"), provided that, if the Borrower notifies the Agent that the Borrower wishes to amend any covenant in Article V to eliminate the effect of any change in GAAP on the operation of such covenant (or if the Agent notifies the Borrower that the Required Lenders wish to amend Article V for such purpose), then the Borrower's compliance with such covenant shall be applied on the basis of GAAP in effect immediately before the relevant change in GAAP became effective, until either such notice is withdrawn or such covenant is amended in a manner satisfactory to the Borrower and the Required Lenders.

ARTICLE II

AMOUNTS AND TERMS OF THE ADVANCES AND LETTERS OF CREDIT

SECTION 2.01. The Advances and Letters of Credit. (a) Revolving Credit Advances. Each Lender severally agrees, on the terms and conditions hereinafter set forth, to make Revolving Credit Advances to any Borrower from time to time on any Business Day during the period from the Effective Date until the Termination Date in an aggregate amount (based in respect of any Revolving Credit Advances to be denominated in a Committed Currency by reference to the Equivalent thereof in Dollars determined on the date of delivery of the applicable Notice of Revolving Credit Borrowing) not to exceed such Lender's Unused Commitment. Each Revolving Credit Borrowing shall be in an amount not less than the Revolving Credit Borrowing Minimum or the Revolving Credit Borrowing Multiple in excess thereof and shall consist of Revolving Credit Advances of the same Type and in the same currency made on the same day by the Lenders ratably according to their respective Revolving Credit Commitments. Within the limits of each Lender's Revolving Credit Commitment, any Borrower may borrow under this Section 2.01(a), prepay pursuant to Section 2.11 and reborrow under this Section 2.01(a).

(b) The Swing Line Advances. The Swing Line Bank agrees, on the terms and conditions hereinafter set forth, to make Swing Line Advances to any Borrower from time to time on any Business Day during the period from the date hereof until the Termination Date (i) in an aggregate amount not to exceed at any time outstanding $25,000,000 (the "Swing Line Facility") and (ii) in an amount for each such Advance not to exceed the Unused Commitments of the Lenders immediately prior to the making of such Advance The Swing Line Bank agrees to make one or more Swing Line Advances on any Business Day. No Swing Line Advance shall be used for the purpose of funding the payment of principal of any other Swing Line Advance. Each Swing Line Borrowing shall be in an amount of $2,500,000 or an integral multiple of $500,000 in excess thereof and shall consist of a Base Rate Advance made by the Swing Line Bank. Within the limits of the Swing Line Facility and within the limits referred to in clause (ii) above, any Borrower may borrow under this 2.01(b), prepay pursuant to Section 2.11 and reborrow under this Section 2.01(b).

(c) Letters of Credit. Each Issuing Bank agrees, on the terms and conditions hereinafter set forth, to issue letters of credit (each, a "Letter of Credit") for the account of the relevant Borrower from time to time on any Business Day during the period from the Effective Date until 30 days before the Termination Date (i) in an aggregate Available Amount for all Letters of Credit issued by all Issuing Banks not to exceed at any time the Letter of Credit Facility at such time, (ii) in an amount for each Issuing Bank not to exceed the amount of such Issuing Banks' Letter of Credit Commitment at such time and (iii) in an amount for each such Letter of Credit not to exceed an amount equal to the aggregate Unused Commitments of the Lenders at such time. Each Letter of Credit shall be in an amount of $500,000 or more and shall be denominated in Dollars. No Letter of Credit shall have an expiration date (including all rights of the Borrower or the beneficiary to require renewal) of greater than one year or later than the Termination Date; provided that any Letter of Credit which provides for automatic one-year extension(s) of such expiration date shall be deemed to comply with the foregoing requirement if the Issuing Bank has the unconditional right to prevent any such automatic extension from taking place. Within the limits referred to above, the Borrower may request the issuance of Letters of Credit under this Section 2.01(c), repay any Advances resulting from drawings thereunder pursuant to Section 2.04(c) and request the issuance of additional Letters of Credit under this Section 2.01(c). The terms "issue", "issued", "issuance" and all similar terms, when applied to a Letter of Credit, shall include any renewal, extension or amendment thereof.

SECTION 2.02. Making the Revolving Credit Advances and Swing Line Advances. (a) Each Revolving Credit Borrowing shall be made on notice, given not later than (x) 11:00 A.M. (New York City time) on

the third Business Day prior to the date of the proposed Revolving Credit Borrowing in the case of a Revolving Credit Borrowing consisting of Eurocurrency Rate Advances denominated in Dollars, (y) 4:00 P.M. (London time) on the third Business Day prior to the date of the proposed Revolving Credit Borrowing in the case of a Revolving Credit Borrowing consisting of Eurocurrency Rate Advances denominated in any Committed Currency, or (z) 11:00 A.M. (New York City time) on the date of the proposed Revolving Credit Borrowing in the case of a Revolving Credit Borrowing consisting of Base Rate Advances, by the applicable Borrower to the Agent (and, in the case of a Revolving Credit Borrowing consisting of Eurocurrency Rate Advances, simultaneously to the Sub-Agent), which shall give to each Lender prompt notice thereof by telecopier or telex. Each such notice of a Revolving Credit Borrowing (a "Notice of Revolving Credit Borrowing") shall be by telephone, confirmed promptly in writing, or telecopier or telex in substantially the form of Exhibit B-1 hereto, specifying therein the requested (i) date of such Revolving Credit Borrowing, (ii) Type of Advances comprising such Revolving Credit Borrowing, (iii) aggregate amount of such Revolving Credit Borrowing, and (iv) in the case of a Revolving Credit Borrowing consisting of Eurocurrency Rate Advances, initial Interest Period and currency for each such Revolving Credit Advance. Each Lender shall, before 1:00 P.M. (New York City time) on the date of such Revolving Credit Borrowing, in the case of a Revolving Credit Borrowing consisting of Advances denominated in Dollars, and before 11:00 A.M. (London time) on the date of such Revolving Credit Borrowing, in the case of a Revolving Credit Borrowing consisting of Eurocurrency Rate Advances denominated in any Committed Currency, make available for the account of its Applicable Lending Office to the Agent at the applicable Agent's Account, in same day funds, such Lender's ratable portion of such Revolving Credit Borrowing. After the Agent's receipt of such funds and upon fulfillment of the applicable conditions set forth in Article III, the Agent will make such funds available to the Borrower requesting the applicable Borrowing at the address and in the account of such Borrower specified in the applicable Notice of Revolving Credit Borrowing.

(b) Each Swing Line Borrowing shall be made on notice, given not later than 1:00 P.M. (New York City time) on the date of the proposed Swing Line Borrowing by the Borrower to the Swing Line Bank and the Agent, of which the Agent shall give prompt notice to the Lenders. Each such notice of a Swing Line Borrowing (a "Notice of Swing Line Borrowing") shall be by telephone, confirmed promptly in writing, or telecopier or telex, specifying therein the requested (i) date of such Borrowing, (ii) amount of such Borrowing and (iii) maturity of such Borrowing (which maturity shall be no later than the earlier of (A) the tenth Business Day after the requested date of such Borrowing and (B) the Termination Date (the "Swing Line Advance Maturity Date")). The Swing Line Bank shall, before 1:00 P.M. (New York City time) on the date of such Swing Line Borrowing, make such Swing Line Borrowing available to the Agent at the Agent's Account, in same day funds. After the Agent's receipt of such funds and upon fulfillment of the applicable conditions set forth in Article III, the Agent will make such funds available to the applicable Borrower at the address and in the account of such Borrower specified in the applicable Notice of Swing Line Borrowing. Upon written demand by the Swing Line Bank, with a copy of such demand to the Agent, each other Lender will purchase from the Swing Line Bank, and the Swing Line Bank shall sell and assign to each such other Lender, such other Lender's Ratable Share of such outstanding Swing Line Advance, by making available for the account of its Applicable Lending Office to the Agent for the account of the Swing Line Bank, by deposit to the Agent's Account, in same day funds, an amount equal to its Ratable Share of such Swing Line Advance. Each Borrower hereby agrees to each such sale and assignment. Each Lender agrees to purchase its Ratable Share of an outstanding Swing Line Advance on (i) the Business Day on which demand therefor is made by the Swing Line Bank, provided that notice of such demand is given not later than 11:00 A.M. (New York City time) on such Business Day or (ii) the first Business Day next succeeding such demand if notice of such demand is given after such time. Upon any such assignment by the Swing Line Bank to any other Lender of a portion of a Swing Line Advance, the Swing Line Bank represents and warrants to such other Lender that the Swing Line Bank is the legal and beneficial owner of such interest being assigned by it, but makes no other representation or warranty and assumes no responsibility with respect to such Swing Line Advance, this Agreement, the Notes or the Borrowers. If and to the extent that any Lender shall not have so made its Ratable Share of such Swing Line Advance available to the Agent, such Lender agrees to pay to the Agent forthwith on demand such amount together with interest thereon, for each day from the date such Lender is required to have made such amount available to the Agent until the date such amount is paid to the Agent, at the Federal Funds Rate. If such Lender shall pay to the Agent such amount for the account of the Swing Line Bank on any Business Day, such amount so paid in respect of principal shall constitute a Swing Line Advance made by such Lender on such Business Day for purposes of this Agreement, and the outstanding principal amount of the Swing Line Advance made by the Swing Line Bank shall be reduced by such amount on such Business Day.

(c) Anything in subsection (a) above to the contrary notwithstanding, (i) no Borrower may select Eurocurrency Rate Advances for any Revolving Credit Borrowing if the aggregate amount of such Revolving Credit Borrowing is less than the Revolving Credit Borrowing Minimum or if the obligation of the Lenders to make Eurocurrency Rate Advances shall then be suspended pursuant to Section 2.09 or 2.13 and (ii) the Eurocurrency Rate Advances may not be outstanding as part of more than ten separate Revolving Credit Borrowings.

(d) Each Notice of Revolving Credit Borrowing and Notice of Swing Line Borrowing of any Borrower shall be irrevocable and binding on such Borrower. In the case of any Revolving Credit Borrowing that the related Notice of Revolving Credit Borrowing specifies is to be comprised of Eurocurrency Rate Advances, the Borrower requesting such Revolving Credit Borrowing shall indemnify each Lender against any loss, cost or expense incurred by such Lender as a result of any failure to fulfill on or before the date specified in such Notice of Revolving Credit Borrowing for such Revolving Credit Borrowing the applicable conditions set forth in Article III, including, without limitation, any loss (excluding loss of anticipated profits), cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by such Lender to fund the Revolving Credit Advance to be made by such Lender as part of such Revolving Credit Borrowing when such Revolving Credit Advance, as a result of such failure, is not made on such date.

(e) Unless the Agent shall have received notice from a Lender prior to the time of any Revolving Credit Borrowing that such Lender will not make available to the Agent such Lender's ratable portion of such Revolving Credit Borrowing, the Agent may assume that such Lender has made such portion available to the Agent on the date of such Revolving Credit Borrowing in accordance with subsection (a) of this Section 2.02 and the Agent may, in reliance upon such assumption, make available to the Borrower requesting such Revolving Credit Borrowing on such date a corresponding amount. If and to the extent that such Lender shall not have so made such ratable portion available to the Agent, such Lender agrees to repay to the Agent forthwith on demand such corresponding amount. If such Lender does not pay such corresponding amount forthwith upon the Agent's demand therefor, the Agent shall promptly notify the applicable Borrower and such Borrower shall immediately pay such corresponding amount to the Agent. The Agent shall also be entitled to receive from such Lender or such Borrower, as the case may be, interest on such corresponding amount, for each day from the date such amount is made available to such Borrower until the date such amount is repaid to the Agent, at (i) in the case of such Borrower, the higher of (A) the interest rate applicable at the time to Revolving Credit Advances comprising such Revolving Credit Borrowing and (B) the cost of funds incurred by the Agent in respect of such amount and (ii) in the case of such Lender, (A) the Federal Funds Rate in the case of Advances denominated in Dollars or (B) the cost of funds incurred by the Agent in respect of such amount in the case of Advances denominated in Committed Currencies. If such Lender shall repay to the Agent such corresponding amount, such amount so repaid shall constitute such Lender's Revolving Credit Advance as part of such Revolving Credit Borrowing for purposes of this Agreement.

(f) The failure of any Lender to make the Revolving Credit Advance to be made by it as part of any Revolving Credit Borrowing or to make the Swing Line Advance to be made by it as part of any Swing Line Borrowing shall not relieve any other Lender of its obligation, if any, hereunder to make its Advance on the date of such Borrowing or to prejudice any rights which any Borrower may have against any Lenders as a result of any default by such Lender hereunder. No Lender shall be responsible for the failure of any other Lender to make the Advance to be made by such other Lender on the date of any Borrowing.

SECTION 2.03. The Competitive Bid Advances. (a) Each Lender severally agrees that any Borrower may make Competitive Bid Borrowings under this Section 2.03 from time to time on any Business Day during the period from the date hereof until the date occurring 30 days prior to the Termination Date in the manner set forth below in a principal amount (based in respect of any Advance denominated in a Foreign Currency on the Equivalent in Dollars at the time such Competitive Bid Borrowing is requested) not to exceed the aggregate Unused Commitments on such Business Day.

(i) Any Borrower may request a Competitive Bid Borrowing under this Section 2.03 by delivering to the Agent (and, in the case of a Competitive Bid Borrowing not consisting of Fixed Rate Advances or LIBO Rate Advances to be denominated in Dollars, simultaneously to the Sub-Agent), by telecopier or telex, a notice of a Competitive Bid Borrowing (a "Notice of Competitive Bid Borrowing"), in substantially the form of Exhibit B-2 hereto, specifying therein the requested (A) date of such proposed Competitive Bid Borrowing, (B) aggregate amount of such proposed Competitive Bid Borrowing,

(C) interest rate basis and day count convention to be offered by the Lenders, (D) currency of such proposed Competitive Bid Borrowing, (E) in the case of a Competitive Bid Borrowing consisting of LIBO Rate Advances, Interest Period, or in the case of a Competitive Bid Borrowing consisting of Fixed Rate Advances, maturity date for repayment of each Fixed Rate Advance to be made as part of such Competitive Bid Borrowing (which maturity date may not be earlier than the date occurring 30 days after the date of such Competitive Bid Borrowing or later than the Termination Date), (F) interest payment date or dates relating thereto, (G) location of such Borrower's account to which funds are to be advanced and (H) other terms (if any) to be applicable to such Competitive Bid Borrowing, not later than (w) 10:00 A.M. (New York City time) at least two Business Days prior to the date of the proposed Competitive Bid Borrowing, if such Borrower shall specify in the Notice of Competitive Bid Borrowing that the rates of interest to be offered by the Lenders shall be fixed rates per annum (the Advances comprising any such Competitive Bid Borrowing being referred to herein as "Fixed Rate Advances") and that the Advances comprising such proposed Competitive Bid Borrowing shall be denominated in Dollars, (x) 10:00 A.M. (New York City time) at least four Business Days prior to the date of the proposed Competitive Bid Borrowing, if such Borrower shall specify in the Notice of Competitive Bid Borrowing that the Advances comprising such Competitive Bid Borrowing shall be LIBO Rate Advances denominated in Dollars, (y) 10:00 A.M. (London time) at least two Business Days prior to the date of the proposed Competitive Bid Borrowing, if such Borrower shall specify in the Notice of Competitive Bid Borrowing that the Advances comprising such proposed Competitive Bid Borrowing shall be either Fixed Rate Advances denominated in any Foreign Currency and (z) 10:00 A.M. (London time) at least four Business Days prior to the date of the proposed Competitive Bid Borrowing, if such Borrower shall instead specify in the Notice of Competitive Bid Borrowing that the Advances comprising such Competitive Bid Borrowing shall be LIBO Rate Advances denominated in any Foreign Currency. Each Notice of Competitive Bid Borrowing shall be irrevocable and binding on such Borrower. The Agent or the Sub-Agent, as the case may be, shall in turn promptly notify each Lender of each request for a Competitive Bid Borrowing received by it from such Borrower by sending such Lender a copy of the related Notice of Competitive Bid Borrowing.

(ii) Each Lender may, if, in its sole discretion, it elects to do so, irrevocably offer to make one or more Competitive Bid Advances to the Borrower proposing the Competitive Bid Borrowing as part of such proposed Competitive Bid Borrowing at a rate or rates of interest specified by such Lender in its sole discretion, by notifying the Agent or the Sub-Agent, as the case may be (which shall give prompt notice thereof to such Borrower), (A) before 9:30 A.M. (New York City time) on the date of such proposed Competitive Bid Borrowing, in the case of a Competitive Bid Borrowing consisting of Fixed Rate Advances denominated in Dollars, (B) before 10:00 A.M. (New York City time) three Business Days before the date of such proposed Competitive Bid Borrowing, in the case of a Competitive Bid Borrowing consisting of LIBO Rate Advances, denominated in Dollars, (C) before 12:00 noon (London time) on the Business Day prior to the date of such proposed Competitive Bid Borrowing, in the case of a Competitive Bid Borrowing consisting of either Fixed Rate Advances denominated in any Foreign Currency and (D) before 12:00 noon (London time) on the third Business Day prior to the date of such proposed Competitive Bid Borrowing, in the case of a Competitive Bid Borrowing consisting of LIBO Rate Advances denominated in any Foreign Currency, of the minimum amount and maximum amount of each Competitive Bid Advance which such Lender would be willing to make as part of such proposed Competitive Bid Borrowing (which amounts or the Equivalent thereof in Dollars, as the case may be, of such proposed Competitive Bid may, subject to the proviso to the first sentence of this Section 2.03(a), exceed such Lender's Commitment, if any), the rate or rates of interest therefor and such Lender's Applicable Lending Office with respect to such Competitive Bid Advance; provided that if the Agent in its capacity as a Lender shall, in its sole discretion, elect to make any such offer, it shall notify such Borrower of such offer at least 30 minutes before the time and on the date on which notice of such election is to be given to the Agent or to the Sub-Agent, as the case may be, by the other Lenders. If any Lender shall elect not to make such an offer, such Lender shall so notify the Agent before 10:00 A.M. (New York City time) or the Sub-Agent before 12:00 noon (London time) on the date on which notice of such election is to be given to the Agent or to the Sub-Agent, as the case may be, by the other Lenders, and such Lender shall not be obligated to, and shall not, make any Competitive Bid Advance as part of such Competitive Bid Borrowing; provided that the failure by any Lender to give such notice shall not cause such Lender to be obligated to make any Competitive Bid Advance as part of such proposed Competitive Bid Borrowing.

(iii) The Borrower proposing the Competitive Bid Borrowing shall, in turn, (A) before 10:30 A.M. (New York City time) on the date of such proposed Competitive Bid Borrowing, in the case of a Competitive Bid Borrowing consisting of Fixed Rate Advances denominated in Dollars, (B) before 11:00 A.M. (New York City time) three Business Days before the date of such proposed Competitive Bid Borrowing, in the case of a Competitive Bid Borrowing consisting of LIBO Rate Advances denominated in Dollars, (C) before 3:00 P.M. (London time) on the Business Day prior to the date of such proposed Competitive Bid Borrowing, in the case of a Competitive Bid Borrowing consisting of either Fixed Rate Advances denominated in any Foreign Currency and (D) before 3:00 P.M. (London time) on the third Business Day prior to the date of such Competitive Bid Borrowing, in the case of a Competitive Bid Borrowing consisting of LIBO Rate Advances denominated in any Foreign Currency, either:

(x) cancel such Competitive Bid Borrowing by giving the Agent notice to that effect, or

(y) accept one or more of the offers made by any Lender or Lenders pursuant to paragraph (ii) above, in its sole discretion, by giving notice to the Agent or to the Sub-Agent, as the case may be, of the amount of each Competitive Bid Advance (which amount shall be equal to or greater than the minimum amount, and equal to or less than the maximum amount, notified to such Borrower by the Agent or the Sub-Agent, as the case may be, on behalf of such Lender for such Competitive Bid Advance pursuant to paragraph (ii) above) to be made by each Lender as part of such Competitive Bid Borrowing, and reject any remaining offers made by Lenders pursuant to paragraph (ii) above by giving the Agent or the Sub-Agent, as the case may be, notice to that effect. Such Borrower shall accept the offers made by any Lender or Lenders to make Competitive Bid Advances in order of the lowest to the highest rates of interest offered by such Lenders. If two or more Lenders have offered the same interest rate, the amount to be borrowed at such interest rate will be allocated among such Lenders in proportion to the amount that each such Lender offered at such interest rate.

(iv) If the Borrower proposing the Competitive Bid Borrowing notifies the Agent or the Sub-Agent, as the case may be, that such Competitive Bid Borrowing is cancelled pursuant to paragraph (iii)(x) above, the Agent or the Sub-Agent, as the case may be, shall give prompt notice thereof to the Lenders and such Competitive Bid Borrowing shall not be made.

(v) If the Borrower proposing the Competitive Bid Borrowing accepts one or more of the offers made by any Lender or Lenders pursuant to paragraph (iii)(y) above, the Agent or the Sub-Agent, as the case may be, shall in turn promptly notify (A) each Lender that has made an offer as described in paragraph (ii) above, of the date and aggregate amount of such Competitive Bid Borrowing and whether or not any offer or offers made by such Lender pursuant to paragraph (ii) above have been accepted by such Borrower, (B) each Lender that is to make a Competitive Bid Advance as part of such Competitive Bid Borrowing, of the amount of each Competitive Bid Advance to be made by such Lender as part of such Competitive Bid Borrowing, and (C) each Lender that is to make a Competitive Bid Advance as part of such Competitive Bid Borrowing, upon receipt, that the Agent or the Sub-Agent, as the case may be, has received forms of documents appearing to fulfill the applicable conditions set forth in Article III. Each Lender that is to make a Competitive Bid Advance as part of such Competitive Bid Borrowing shall, before 12:00 noon (New York City time), in the case of Competitive Bid Advances to be denominated in Dollars or 11:00 A.M. (London time), in the case of Competitive Bid Advances to be denominated in any Foreign Currency, on the date of such Competitive Bid Borrowing specified in the notice received from the Agent or the Sub-Agent, as the case may be, pursuant to clause (A) of the preceding sentence or any later time when such Lender shall have received notice from the Agent or the Sub-Agent, as the case may be pursuant to clause (C) of the preceding sentence, make available for the account of its Applicable Lending Office to the Agent (x) in the case of a Competitive Bid Borrowing denominated in Dollars, at its address referred to in Section 9.02(a), in same day funds, such Lender's portion of such Competitive Bid Borrowing in Dollars and (y) in the case of a Competitive Bid Borrowing in a Foreign Currency, at the Payment Office for such Foreign Currency as shall have been notified by the Agent to the Lenders prior thereto, in same day funds, such Lender's portion of such Competitive Bid Borrowing in such Foreign Currency. Upon fulfillment of

the applicable conditions set forth in Article III and after receipt by the Agent of such funds, the Agent will make such funds available to such Borrower at the location specified by such Borrower in its Notice of Competitive Bid Borrowing. Promptly after each Competitive Bid Borrowing the Agent will notify each Lender of the amount and tenor of the Competitive Bid Borrowing.

(vi) If the Borrower proposing the Competitive Bid Borrowing notifies the Agent or the Sub-Agent, as the case may be, that it accepts one or more of the offers made by any Lender or Lenders pursuant to paragraph (iii)(y) above, such notice of acceptance shall be irrevocable and binding on such Borrower. Such Borrower shall indemnify each Lender against any loss, cost or expense incurred by such Lender as a result of any failure to fulfill on or before the date specified in the related Notice of Competitive Bid Borrowing for such Competitive Bid Borrowing the applicable conditions set forth in Article III, including, without limitation, any loss

(excluding loss of anticipated profits), cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by such Lender to fund the Competitive Bid Advance to be made by such Lender as part of such Competitive Bid Borrowing when such Competitive Bid Advance, as a result of such failure, is not made on such date.

(b) Each Competitive Bid Borrowing shall be in an aggregate amount of $5,000,000 (or the Equivalent thereof in any Foreign Currency, determined as of the time of the applicable Notice of Competitive Bid Borrowing) or an integral multiple of $1,000,000 (or the Equivalent thereof in any Foreign Currency, determined as of the time of the applicable Notice of Competitive Bid Borrowing) in excess thereof and, following the making of each Competitive Bid Borrowing, the Borrowers shall be in compliance with the limitation set forth in the first sentence of subsection (a) above.

(c) Within the limits and on the conditions set forth in this Section 2.03, any Borrower may from time to time borrow under this Section 2.03, repay or prepay pursuant to subsection (d) below, and reborrow under this Section 2.03, provided that a Competitive Bid Borrowing shall not be made within three Business Days of the date of any other Competitive Bid Borrowing.

(d) Each Borrower shall repay to the Agent for the account of each Lender that has made a Competitive Bid Advance, on the maturity date of each Competitive Bid Advance (such maturity date being that specified by such Borrower for repayment of such Competitive Bid Advance in the related Notice of Competitive Bid Borrowing delivered pursuant to subsection (a)(i) above and provided in the Competitive Bid Note evidencing such Competitive Bid Advance), the then unpaid principal amount of such Competitive Bid Advance. Such Borrower shall have no right to prepay any principal amount of any Competitive Bid Advance unless, and then only on the terms, specified by such Borrower for such Competitive Bid Advance in the related Notice of Competitive Bid Borrowing delivered pursuant to subsection (a)(i) above and set forth in the Competitive Bid Note evidencing such Competitive Bid Advance.

(e) Each Borrower that has borrowed through a Competitive Bid Borrowing shall pay interest on the unpaid principal amount of each Competitive Bid Advance from the date of such Competitive Bid Advance to the date the principal amount of such Competitive Bid Advance is repaid in full, at the rate of interest for such Competitive Bid Advance specified by the Lender making such Competitive Bid Advance in its notice with respect thereto delivered pursuant to subsection (a)(ii) above, payable on the interest payment date or dates specified by such Borrower for such Competitive Bid Advance in the related Notice of Competitive Bid Borrowing delivered pursuant to subsection (a)(i) above, as provided in the Competitive Bid Note evidencing such Competitive Bid Advance. Upon the occurrence and during the continuance of an Event of Default, such Borrower shall pay interest on the amount of unpaid principal of and interest on each Competitive Bid Advance owing to a Lender, payable in arrears on the date or dates interest is payable thereon, at a rate per annum equal at all times to 2% per annum above the rate per annum required to be paid on such Competitive Bid Advance under the terms of the Competitive Bid Note evidencing such Competitive Bid Advance unless otherwise agreed in such Competitive Bid Note.

(f) The Indebtedness of each Borrower resulting from each Competitive Bid Advance made to such Borrower as part of a Competitive Bid Borrowing shall be evidenced by a separate Competitive Bid Note of such Borrower payable to the order of the Lender making such Competitive Bid Advance.

SECTION 2.04. Issuance of and Drawings and Reimbursement Under Letters of Credit. (a) Request for Issuance. Each Letter of Credit shall be issued upon notice, given not later than 11:00 A.M. (New York City time) on the fifth Business Day prior to the date of the proposed issuance of such Letter of Credit (or on such shorter notice as the applicable Issuing Bank may agree), by any Borrower to any Issuing Bank, and such Issuing Bank shall give the Agent prompt notice thereof by facsimile. Each such notice of issuance of a Letter of Credit (a "Notice of Issuance") shall be by telephone, confirmed promptly in writing, or facsimile, specifying therein the requested (A) date of such issuance (which shall be a Business Day), (B) Available Amount of such Letter of Credit, (C) expiration date of such Letter of Credit (which shall not be later than the earlier of the Termination Date or one year after the date of issuance thereof; provided that any Letter of Credit which provides for automatic one-year extension(s) of such expiration date shall be deemed to comply with the foregoing requirement if the Issuing Bank has the unconditional right to prevent any such automatic extension from taking place and each Issuing Bank hereby agrees to exercise such right to prevent any such automatic extension for each Letter of Credit outstanding after the Termination Date), (D) name and address of the beneficiary of such Letter of Credit and (E) form of such Letter of Credit, and shall be accompanied by such customary application and agreement for letter of credit as such Issuing Bank may specify to the Borrower requesting such issuance for use in connection with such requested Letter of Credit (a "Letter of Credit Agreement"). If the requested form of such Letter of Credit is acceptable to such Issuing Bank in its sole discretion, such Issuing Bank will, upon fulfillment of the applicable conditions set forth in Article III, make such Letter of Credit available to the Borrower requesting such issuance at its office referred to in Section 9.02 or as otherwise agreed with such Borrower in connection with such issuance. In the event and to the extent that the provisions of any Letter of Credit Agreement shall conflict with this Agreement, the provisions of this Agreement shall govern.

(b) Participations. By the issuance of a Letter of Credit (or an amendment to a Letter of Credit increasing the amount thereof) and without any further action on the part of the applicable Issuing Bank or the Lenders, such Issuing Bank hereby grants to each Lender, and each Lender hereby acquires from such Issuing Bank, a participation in such Letter of Credit equal to such Lender's Ratable Share of the Available Amount of such Letter of Credit. Each Borrower hereby agrees to each such participation. In consideration and in furtherance of the foregoing, each Lender hereby absolutely and unconditionally agrees to pay to the Agent, for the account of such Issuing Bank, such Lender's Ratable Share of each drawing made under a Letter of Credit funded by such Issuing Bank and not reimbursed by the applicable Borrower on the date made, or of any reimbursement payment required to be refunded to any Borrower for any reason. Each Lender acknowledges and agrees that its obligation to acquire participations pursuant to this paragraph in respect of Letters of Credit is absolute and unconditional and shall not be affected by any circumstance whatsoever, including any amendment, renewal or extension of any Letter of Credit or the occurrence and continuance of a Default or reduction or termination of the Revolving Credit Commitments, and that each such payment shall be made without any offset, abatement, withholding or reduction whatsoever. Each Lender further acknowledges and agrees that its participation in each Letter of Credit will be automatically adjusted to reflect such Lender's Ratable Share of the Available Amount of such Letter of Credit at each time such Lender's Revolving Credit Commitment is amended pursuant to the operation of Section 2.18, an assignment in accordance with Section 9.07 or otherwise pursuant to this Agreement.

(c) Drawing and Reimbursement. The payment by an Issuing Bank of a draft drawn under any Letter of Credit shall constitute for all purposes of this Agreement the making by such Issuing Bank of an Advance, which shall be a Base Rate Advance, in the amount of such draft. Each Issuing Bank shall give prompt notice (and such Issuing Bank will use its commercially reasonable efforts to deliver such notice within one Business Day) of each drawing under any Letter of Credit issued by it to the Company, the applicable Borrower (if not the Company) and the Agent. Upon written demand by such Issuing Bank, with a copy of such demand to the Agent and the Company, each Lender shall pay to the Agent such Lender's Ratable Share of such outstanding Advance, by making available for the account of its Applicable Lending Office to the Agent for the account of such Issuing Bank, by deposit to the Agent's Account, in same day funds, an amount equal to the portion of the outstanding principal amount of such Advance to be funded by such Lender. Each Lender acknowledges and agrees that its obligation to make Advances pursuant to this paragraph in respect of Letters of Credit is absolute and unconditional and shall not be affected by any circumstance whatsoever, including any amendment, renewal or extension of any Letter of Credit or the occurrence and continuance of a Default or reduction or termination of the Revolving Credit Commitments, and that each such payment shall be made without any offset, abatement, withholding or reduction whatsoever. Promptly after receipt thereof, the Agent shall transfer such funds to such Issuing Bank. Each Lender agrees to fund its Ratable Share of an outstanding Advance on (i) the Business Day on

which demand therefor is made by such Issuing Bank, provided that notice of such demand is given not later than 11:00 A.M. (New York City time) on such Business Day, or (ii) the first Business Day next succeeding such demand if notice of such demand is given after such time. If and to the extent that any Lender shall not have so made the amount of such Advance available to the Agent, such Lender agrees to pay to the Agent forthwith on demand such amount together with interest thereon, for each day from the date of demand by any such Issuing Bank until the date such amount is paid to the Agent, at the Federal Funds Rate for its account or the account of such Issuing Bank, as applicable. If such Lender shall pay to the Agent such amount for the account of any such Issuing Bank on any Business Day, such amount so paid in respect of principal shall constitute a Revolving Credit Advance made by such Lender on such Business Day for purposes of this Agreement, and the outstanding principal amount of the Revolving Credit Advance made by such Issuing Bank shall be reduced by such amount on such Business Day.

(d) Letter of Credit Reports. Each Issuing Bank shall furnish (A) to the Agent (which shall promptly notify the Lenders) on the first Business Day of each month a written report summarizing issuance and expiration dates of Letters of Credit during the preceding month and drawings during such month under all Letters of Credit and (B) to the Agent (with a copy to the Company) on the first Business Day of each calendar quarter a written report setting forth the average daily aggregate Available Amount during the preceding calendar quarter of all Letters of Credit.

(e) Failure to Make Advances. The failure of any Lender to make the Advance to be made by it on the date specified in Section 2.04(c) shall not relieve any other Lender of its obligation hereunder to make its Advance on such date, but no Lender shall be responsible for the failure of any other Lender to make the Advance to be made by such other Lender on such date.

SECTION 2.05. Fees. (a) Facility Fee. The Company agrees to pay to the Agent for the account of each Lender a facility fee on the aggregate amount of such Lender's Revolving Credit Commitment from the date hereof in the case of each Initial Lender and from the effective date specified in the Assignment and Acceptance pursuant to which it became a Lender in the case of each other Lender until the Termination Date at a rate per annum equal to the Applicable Percentage in effect from time to time, payable in arrears quarterly on the last Business Day of each March, June, September and December, commencing December 31, 2003, and on the Termination Date.

(b) Letter of Credit Fees. (i) Each Borrower shall pay to the Agent for the account of each Lender a commission on such Lender's Ratable Share of the average daily aggregate Available Amount of all Letters of Credit issued at the request of such Borrower and outstanding from time to time at a rate per annum equal to the Applicable Margin for Eurocurrency Rate Advances in effect from time to time during such calendar quarter, payable in arrears quarterly on the third Business Day after the last Business Day of each March, June, September and December, commencing with the quarter ended December 31, 2003, and on and after the Termination Date payable upon demand; provided that such commission shall be 2% above the Applicable Margin in effect upon the occurrence and during the continuation of an Event of Default if the Borrowers are required to pay default interest pursuant to Section 2.08(b).

(ii) Each Borrower shall pay to each Issuing Bank for its own account such reasonable fees as may from time to time be agreed in writing between the Company and such Issuing Bank.

(c) Agent's Fees. The Company shall pay to the Agent for its own account such fees as may from time to time be agreed between the Company and the Agent.

SECTION 2.06. Termination or Reduction of the Commitments. (a) Termination or Reduction by the Company. The Company shall have the right, upon at least three Business Days' notice to the Agent, to terminate in whole or permanently reduce ratably in part the respective Unused Commitments of the Lenders, provided that each partial reduction shall be in the aggregate amount of $10,000,000 or an integral multiple of $1,000,000 in excess thereof.

(b) Termination by the Lenders. If any of the following events shall occur and shall continue without cure for a period for 60 days (each, a "Put Event"):

(i) either (A) a court having jurisdiction over the Company issues a ruling in response to a motion to approve or disapprove the Settlement Agreement that does not approve the Settlement Agreement (such ruling being then non-appealable, other than for the reason of being an interlocutory ruling; not appealed from within the time permitted by law; or all available appeals or other means of review having been exhausted) or (B) the revocation, vacation or modification of a ruling by any court approving the Settlement Agreement (such revocation, vacation or modification being then non-appealable, other than for the reason of being an interlocutory ruling; not appealed from within the time permitted by law; or all available appeals or other means of review having been exhausted); or

(ii) the occurrence of any event that results in a material increase of the Company's asbestos-related liability in excess of the amounts provided for in the Settlement Agreement or a material reduction of the protection afforded to the Company by the Settlement Agreement; or

(iii) (A) before the effective date of the final plan of reorganization of W.R. Grace & Co., the stay of non-bankruptcy proceedings against the Company ceases to be in effect; (B) before the effective date of the final plan of reorganization of W.R. Grace & Co., a court schedules a trial of the issues raised in the adversary proceeding currently pending against the Company that are the subject matter of the Settlement Agreement; or (C) after the effective date of the final plan of reorganization of W.R. Grace & Co., the injunction granted under §524(g) of the Bankruptcy Code ceases to be in effect;

then, the Required Lenders may, by notice to the Company and the Agent (x) declare that the obligation of each Lender to make Advances (other than Advances to be made by a Lender pursuant to Section 2.02(b) or by an Issuing Bank or a Lender pursuant to Section 2.04(c)) and of the Issuing Banks to issue Letters of Credit to be terminated, whereupon the same shall forthwith terminate, (y) declare that the Advances, all interest thereon and all other amounts payable under this Agreement shall be forthwith due and payable, whereupon the Advances, all such interest and all such amounts shall become and be forthwith due any payable, without presentment, demand, protest or further notice of any kind, all of which are expressly hereby waived by the Borrowers and (z) make demand on the Company to pay to the Agent on behalf of the Lenders in same day funds for deposit in the L/C Cash Deposit Account, an amount equal to the aggregate Available Amount of all Letters of Credit then outstanding or make such other reasonable arrangements in respect of outstanding Letters of Credit as shall be acceptable to the Required Lenders. Upon the drawing of any Letter of Credit, to the extent funds are on deposit in the L/C Cash Deposit Account, such funds shall be applied to reimburse the Issuing Banks to the extent permitted by applicable law, and if so applied, then such reimbursement shall be deemed a repayment of the corresponding Advance in respect of such Letter of Credit. After all such Letters of Credit shall have expired or been fully drawn upon and all other obligations of the Borrowers thereunder shall have been paid in full, the balance, if any, in such L/C Cash Deposit Account shall be promptly returned to the Company.

SECTION 2.07. Repayment of Advances. (a) Revolving Credit Advances. Each Borrower shall repay to the Agent for the ratable account of the Lenders on the Termination Date the aggregate principal amount of the Revolving Credit Advances made to it and then outstanding.

(b) Swing Line Advances. Each Borrower shall repay to the Agent for the account of (i) the Swing Line Bank and (ii) each other Lender which has made a Swing Line Advance by purchase from the Swing Line Bank pursuant to Section 2.02(b) the outstanding principal amount of each Swing Line Advance made by each of them on the Swing Line Advance Maturity Date specified in the applicable Notice of Swing Line Borrowing.

(c) Letter of Credit Reimbursements. The obligation of any Borrower under this Agreement, any Letter of Credit Agreement and any other agreement or instrument, in each case, to repay any Revolving Credit Advance that results from payment of a drawing under a Letter of Credit shall be unconditional and irrevocable, and shall be paid strictly in accordance with the terms of this Agreement, such Letter of Credit Agreement and such other agreement or instrument under all circumstances, including, without limitation, the following circumstances (it being understood that any such payment by a Borrower is without prejudice to, and does not constitute a waiver of, any rights such Borrower might have or might acquire as a result of the payment by any Issuing Bank of any draft or the reimbursement by the Borrower thereof):

(i) any lack of validity or enforceability of this Agreement, any Note, any Letter of Credit Agreement, any Letter of Credit or any other agreement or instrument relating thereto (all of the foregoing being, collectively, the "L/C Related Documents");

(ii) any change in the time, manner or place of payment of any Letter of Credit;

(iii) the existence of any claim, set-off, defense or other right that any Borrower may have at any time against any beneficiary or any transferee of a Letter of Credit (or any Persons for which any such beneficiary or any such transferee may be acting), any Issuing Bank, the Agent, any Lender or any other Person, whether in connection with the transactions contemplated by the L/C Related Documents or any unrelated transaction;

(iv) any statement or any other document presented under a Letter of Credit proving to be forged, fraudulent or invalid in any respect or any statement therein being untrue or inaccurate in any respect;

(v) payment by any Issuing Bank under a Letter of Credit against presentation of a draft or certificate that does not comply with the terms of such Letter of Credit;

(vi) any exchange, release or non-perfection of any collateral, or any release or amendment or waiver of or consent to departure from any guarantee, for all or any of the obligations of any Borrower in respect of the L/C Related Documents; or

(vii) any other circumstance or happening whatsoever, whether or not similar to any of the foregoing that might, but for the provisions of this Section, constitute a legal or equitable discharge of a Borrower's obligations hereunder.

SECTION 2.08. Interest on Revolving Credit Advances and Swing Line Advances. (a) Scheduled Interest. Each Borrower shall pay interest on the unpaid principal amount of each Revolving Credit Advance and each Swing Line Advance owing to each Lender from the date of such Advance until such principal amount shall be paid in full, at the following rates per annum:

(i) Base Rate Advances. During such periods as such Revolving Credit Advance is a Base Rate Advance and for each Swing Line Advance, a rate per annum equal at all times to the sum of (x) the Base Rate in effect from time to time plus (y) the Applicable Margin in effect from time to time plus (z) the Applicable Utilization Fee in effect from time to time, payable in arrears (A) in the case of a Base Rate Advance that is not a Swing Line Advance, quarterly on the last Business Day of each March, June, September and December during such periods and on the date such Base Rate Advance shall be Converted or paid in full or (B) in the case of a Base Rate Advance that is a Swing Line Advance, on the date such Swing Line Advance shall be paid in full.

(ii) Eurocurrency Rate Advances. During such periods as such Revolving Credit Advance is a Eurocurrency Rate Advance, a rate per annum equal at all times during each Interest Period for such Revolving Credit Advance to the sum of (x) the Eurocurrency Rate for such Interest Period for such Revolving Credit Advance plus (y) the Applicable Margin in effect from time to time plus (z) the Applicable Utilization Fee in effect from time to time, payable in arrears on the last day of such Interest Period and, if such Interest Period has a duration of more than three months, on each day that occurs during such Interest Period every three months from the first day of such Interest Period and on the date such Eurocurrency Rate Advance shall be Converted or paid in full.

(b) Default Interest. Upon the occurrence and during the continuance of an Event of Default, the Agent may, and upon the request of the Required Lenders shall, require each Borrower to pay interest ("Default Interest") on (i) the unpaid principal amount of each Revolving Credit Advance and each Swing Line Advance owing to each Lender, payable in arrears on the dates referred to in clause (a)(i) or (a)(ii) above, at a rate per annum equal at all times to 2% per annum above the rate per annum required to be paid on such Advance pursuant to

clause (a)(i) or (a)(ii) above and (ii) to the fullest extent permitted by law, the amount of any interest, fee or other amount payable hereunder that is not paid when due, from the date such amount shall be due until such amount shall be paid in full, payable in arrears on the date such amount shall be paid in full and on demand, at a rate per annum equal at all times to 2% per annum above the rate per annum required to be paid on Base Rate Advances pursuant to clause (a)(i) above; provided, however, that following acceleration of the Advances pursuant to Section 6.01, Default Interest shall accrue and be payable hereunder whether or not previously required by the Agent.

SECTION 2.09. Interest Rate Determination. (a) Each Reference Bank agrees to furnish to the Agent timely information for the purpose of determining each Eurocurrency Rate and each LIBO Rate. If any one or more of the Reference Banks shall not furnish such timely information to the Agent for the purpose of determining any such interest rate, the Agent shall determine such interest rate on the basis of timely information furnished by the remaining Reference Banks. The Agent shall give prompt notice to the Company and the Lenders of the applicable interest rate determined by the Agent for purposes of Section 2.08(a)(i) or (ii), and the rate, if any, furnished by each Reference Bank for the purpose of determining the interest rate under Section 2.08(a)(ii).

(b) If, with respect to any Eurocurrency Rate Advances, the Required Lenders notify the Agent that (i) they are unable to obtain matching deposits in the applicable currency in the London inter-bank market at or about 11:00 A.M. (London time) on the second Business Day before the making of a Borrowing in sufficient amounts to fund their respective Revolving Credit Advances as a part of such Borrowing during its Interest Period or (ii) the Eurocurrency Rate for any Interest Period for such Advances will not adequately reflect the cost to such Required Lenders of making, funding or maintaining their respective Eurocurrency Rate Advances in the applicable currency for such Interest Period, the Agent shall forthwith so notify each Borrower and the Lenders, whereupon (A) the Borrower of such Eurocurrency Rate Advances in such currency will, on the last day of the then existing Interest Period therefor, (1) if such Eurocurrency Rate Advances are denominated in Dollars, either (x) prepay such Advances or (y) Convert such Advances into Base Rate Advances and (2) if such Eurocurrency Rate Advances are denominated in any Committed Currency, either (x) prepay such Advances or (y) exchange such Advances into an Equivalent amount of Dollars and Convert such Advances into Base Rate Advances and (B) the obligation of the Lenders to make, or to Convert Revolving Credit Advances into, Eurocurrency Rate Advances in such currency shall be suspended until the Agent shall notify each Borrower and the Lenders that the circumstances causing such suspension no longer exist; provided that, if the circumstances set forth in clause (ii) above are applicable, the applicable Borrower may elect, by notice to the Agent and the Lenders, to continue such Advances in such Committed Currency for Interest Periods of not longer than one month, which Advances shall thereafter bear interest at a rate per annum equal to the Applicable Margin plus, for each Lender, the cost to such Lender (expressed as a rate per annum) of funding its Eurocurrency Rate Advances by whatever means it reasonably determines to be appropriate. Each Lender shall certify its cost of funds for each Interest Period to the Agent and the Company as soon as practicable (but in any event not later than ten Business Days after the first day of such Interest Period).

(c) If any Borrower shall fail to select the duration of any Interest Period for any Eurocurrency Rate Advances in accordance with the provisions contained in the definition of "Interest Period" in Section 1.01, the Agent will forthwith so notify such Borrower and the Lenders and such Advances will automatically, on the last day of the then existing Interest Period therefor, (i) if such Eurocurrency Rate Advances are denominated in Dollars, Convert into Base Rate Advances and (ii) if such Eurocurrency Rate Advances are denominated in a Committed Currency, be exchanged for an Equivalent amount of Dollars and Convert into Base Rate Advances.

(d) On the date on which the aggregate unpaid principal amount of Eurocurrency Rate Advances comprising any Borrowing shall be reduced, by payment or prepayment or otherwise, to less than the Revolving Credit Borrowing Minimum, such Advances shall automatically (i) if such Eurocurrency Rate Advances are denominated in Dollars, Convert into Base Rate Advances and (ii) if such Eurocurrency Rate Advances are denominated in a Committed Currency, be exchanged for an Equivalent amount of Dollars and Convert into Base Rate Advances.

(e) Upon the occurrence and during the continuance of any Event of Default, (i) each Eurocurrency Rate Advance will automatically, on the last day of the then existing Interest Period therefor, (A) if such Eurocurrency Rate Advances are denominated in Dollars, be Converted into Base Rate Advances and (B) if such Eurocurrency Rate Advances are denominated in any Committed Currency, be exchanged for an Equivalent

amount of Dollars and be Converted into Base Rate Advances and (ii) the obligation of the Lenders to make, or to Convert Advances into, Eurocurrency Rate Advances shall be suspended.

(f) If Moneyline Telerate Markets Page 3750 is unavailable and fewer than two Reference Banks furnish timely information to the Agent for determining the Eurocurrency Rate or LIBO Rate for any Eurocurrency Rate Advances or LIBO Rate Advances, as the case may be,

(i) the Agent shall forthwith notify the relevant Borrower and the Lenders that the interest rate cannot be determined for such Eurocurrency Rate Advances or LIBO Rate Advances, as the case may be,

(ii) with respect to Eurocurrency Rate Advances, each such Advance will automatically, on the last day of the then existing Interest Period therefor, (A) if such Eurocurrency Rate Advance is denominated in Dollars, Convert into a Base Rate Advance and (B) if such Eurocurrency Rate Advance is denominated in any Committed Currency, be prepaid by the applicable Borrower or be automatically exchanged for an Equivalent amount of Dollars and be Converted into a Base Rate Advance (or if such Advance is then a Base Rate Advance, will continue as a Base Rate Advance), and

(iii) the obligation of the Lenders to make Eurocurrency Rate Advances or LIBO Rate Advances or to Convert Revolving Credit Advances into Eurocurrency Rate Advances shall be suspended until the Agent shall notify the Borrowers and the Lenders that the circumstances causing such suspension no longer exist.

SECTION 2.10. Optional Conversion of Revolving Credit Advances. Each Borrower may on any Business Day, upon notice given to the Agent not later than 11:00 A.M. (New York City time) on the third Business Day prior to the date of the proposed Conversion and subject to the provisions of Sections 2.09 and 2.13, Convert all Revolving Credit Advances denominated in Dollars of one Type comprising the same Borrowing into Revolving Credit Advances denominated in Dollars of the other Type; provided, however, that any Conversion of Eurocurrency Rate Advances into Base Rate Advances shall be made only on the last day of an Interest Period for such Eurocurrency Rate Advances, any Conversion of Base Rate Advances into Eurocurrency Rate Advances shall be in an amount not less than the minimum amount specified in Section 2.02(b) and no Conversion of any Revolving Credit Advances shall result in more separate Revolving Credit Borrowings than permitted under Section 2.02(b). Each such notice of a Conversion shall, within the restrictions specified above, specify (i) the date of such Conversion, (ii) the Dollar denominated Revolving Credit Advances to be Converted, and (iii) if such Conversion is into Eurocurrency Rate Advances, the duration of the initial Interest Period for each such Advance. Each notice of Conversion shall be irrevocable and binding on the Borrower requesting such Conversion.

SECTION 2.11. Prepayments of Revolving Credit Advances and Swing Line Advances. (a) Optional. Each Borrower may, upon notice at least two Business Days' prior to the date of such prepayment, in the case of Eurocurrency Rate Advances, and not later than 11:00 A.M. (New York City time) on the date of such prepayment, in the case of Base Rate Advances, to the Agent stating the proposed date and aggregate principal amount of the prepayment, and if such notice is given such Borrower shall, prepay the outstanding principal amount of the Revolving Credit Advances comprising part of the same Revolving Credit Borrowing or Swing Line Advances comprising part of the same Swing Line Borrowing in whole or ratably in part, together with accrued interest to the date of such prepayment on the principal amount prepaid; provided, however, that (i) each partial prepayment shall be in an aggregate principal amount of (x) not less than the Revolving Credit Borrowing Minimum or a Revolving Credit Borrowing Multiple in excess thereof in the case of Revolving Credit Advances or (y) not less than $500,000 or an integral multiple thereof in the case of Swing Line Advances and (ii) in the event of any such prepayment of a Eurocurrency Rate Advance, the Borrower making such prepayment shall be obligated to reimburse the Lenders in respect thereof pursuant to Section 9.04(c).

(b) Mandatory. (i) If, on any date, the Agent notifies the Company that, on any interest payment date, the sum of (A) the sum of aggregate principal amount of all Advances denominated in Dollars plus the aggregate principal amount of all Letters of Credit denominated in Dollars then outstanding plus (B) the

Equivalent in Dollars (determined on the third Business Day prior to such interest payment date) of the sum of the aggregate principal amount of all Advances denominated in Foreign Currencies plus the aggregate principal amount of all Letters of Credit denominated in Foreign Currencies then outstanding exceeds 105% of the aggregate Revolving Credit Commitments of the Lenders on such date, the Company and each other Borrower shall, as soon as practicable and in any event within two Business Days after receipt of such notice, subject to the proviso to this sentence set forth below, prepay the outstanding principal amount of any Advances owing by the Borrowers in an aggregate amount (or deposit an amount in the L/C Cash Deposit Account) sufficient to reduce such sum (calculated on the basis of the Available Amount of Letters of Credit being reduced by the amount in the L/C Cash Deposit Account) to an amount not to exceed 100% of the aggregate Revolving Credit Commitments of the Lenders on such date together with any interest accrued to the date of such prepayment on the aggregate principal amount of Advances prepaid. The Agent shall give prompt notice of any prepayment required under this Section 2.11(b) to the Company and the Lenders, and shall provide prompt notice to the Company of any such notice of required prepayment received by it from any Lender.

(ii) Each prepayment made pursuant to this Section 2.11(b) shall be made together with any interest accrued to the date of such prepayment on the principal amounts prepaid and, in the case of any prepayment of a Eurocurrency Rate Advance or a LIBO Rate Advance on a date other than the last day of an Interest Period or at its maturity, any additional amounts which the applicable Borrower shall be obligated to reimburse to the Lenders in respect thereof pursuant to Section 9.04(c). The Agent shall give prompt notice of any prepayment required under this Section 2.11(b) to the Company and the Lenders.

SECTION 2.12. Increased Costs. (a) If, due to either (i) the introduction of or any change in or in the interpretation of any law or regulation or (ii) the compliance with any guideline or request from any central bank or other governmental authority including, without limitation, any agency of the European Union or similar monetary or multinational authority (whether or not having the force of law), there shall be any increase in the cost to any Lender of agreeing to make or making, funding or maintaining Eurocurrency Rate Advances or LIBO Rate Advances or agreeing to issue or of issuing or maintaining or participating in Letters of Credit (excluding for purposes of this Section 2.12 any such increased costs resulting from (i) Taxes or Other Taxes (as to which Section 2.15 shall govern) and (ii) changes in the basis of taxation of overall net income or overall gross income by the United States or by the foreign jurisdiction or state under the laws of which such Lender is organized or has its Applicable Lending Office or any political subdivision thereof), then the Company shall from time to time, upon demand by such Lender (with a copy of such demand to the Agent), pay to the Agent for the account of such Lender additional amounts sufficient to compensate such Lender for such increased cost. A certificate as to the amount of such increased cost, submitted to the Company and the Agent by such Lender, shall be conclusive and binding for all purposes, absent manifest error.

(b) If any Lender determines that compliance with any law or regulation or any guideline or request from any central bank or other governmental authority (whether or not having the force of law) affects or would affect the amount of capital required or expected to be maintained by such Lender or any corporation controlling such Lender and that the amount of such capital is increased by or based upon the existence of such Lender's commitment to lend or issue or participate in letters of credit hereunder and other commitments of this type, then, upon demand by such Lender (with a copy of such demand to the Agent), the Company shall pay to the Agent for the account of such Lender, from time to time as specified by such Lender, additional amounts sufficient to compensate such Lender or such corporation in the light of such circumstances, to the extent that such Lender reasonably determines such increase in capital to be allocable to the existence of such Lender's commitment to lend hereunder. A certificate as to such amounts submitted to the Company and the Agent by such Lender shall be conclusive and binding for all purposes, absent manifest error.

SECTION 2.13. Illegality. Notwithstanding any other provision of this Agreement, if any Lender shall notify the Agent that the introduction of or any change in or in the interpretation of any law or regulation makes it unlawful, or any central bank or other governmental authority asserts that it is unlawful, for any Lender or its Eurocurrency Lending Office to perform its obligations hereunder to make Eurocurrency Rate Advances or LIBO Rate Advances in Dollars or any Committed Currency or to fund or maintain Eurocurrency Rate Advances in Dollars or any Committed Currency or LIBO Rate Advances in Dollars or any Foreign Currency hereunder, (a) each Eurocurrency Rate Advance or LIBO Rate Advance, as the case may be, in the applicable currency will automatically, upon such demand, Convert into a Base Rate Advance or an Advance that bears interest at the rate set

forth in Section 2.08(a)(i), as the case may be, (i) if such Eurocurrency Rate Advance or LIBO Rate Advance is denominated in Dollars, be Converted into a Base Rate Advance or an Advance that bears interest at the rate set forth in Section 2.08(a)(i), as the case may be, and (ii) if such Eurocurrency Rate Advance or LIBO Rate Advance is denominated in any Foreign Currency, be exchanged into an Equivalent amount of Dollars and be Converted into a Base Rate Advance or an Advance that bears interest at the rate set forth in Section 2.08(a)(i), as the case may be, and (b) the obligation of the Lenders to make Eurocurrency Rate Advances or LIBO Rate Advances in such currency or to Convert Revolving Credit Advances into Eurocurrency Rate Advances in such currency shall be suspended until the Agent shall notify the Company and the Lenders that the circumstances causing such suspension no longer exist.

SECTION 2.14. Payments and Computations. (a) Each Borrower shall make each payment hereunder (except with respect to principal of, interest on, and other amounts relating to, Advances denominated in a Foreign Currency), irrespective of any right of counterclaim or set-off, not later than 11:00 A.M. (New York City time) on the day when due in U.S. Dollars to the Agent at the applicable Agent's Account in same day funds. Each Borrower shall make each payment hereunder with respect to principal of, interest on, and other amounts relating to, Advances denominated in a Foreign Currency, irrespective of any right of counterclaim or set-off, not later than 11:00 A.M. (at the Payment Office for such Foreign Currency) on the day when due in such Foreign Currency to the Agent, by deposit of such funds to the applicable Agent's Account in same day funds. The Agent will promptly thereafter cause to be distributed like funds relating to the payment of principal or interest, fees or commissions ratably (other than amounts payable pursuant to Section 2.03, 2.06(b)(ii), 2.12, 2.15 or 9.04(c)) to the Lenders for the account of their respective Applicable Lending Offices, and like funds relating to the payment of any other amount payable to any Lender to such Lender for the account of its Applicable Lending Office, in each case to be applied in accordance with the terms of this Agreement. Upon its acceptance of an Assignment and Acceptance and recording of the information contained therein in the Register pursuant to Section 9.07(c), from and after the effective date specified in such Assignment and Acceptance, the Agent shall make all payments hereunder and under the Notes in respect of the interest assigned thereby to the Lender assignee thereunder, and the parties to such Assignment and Acceptance shall make all appropriate adjustments in such payments for periods prior to such effective date directly between themselves.

(b) Each Borrower hereby authorizes each Lender, if and to the extent payment owed to such Lender is not made when due hereunder or under the Note held by such Lender, to charge from time to time against any or all of such Borrower's accounts with such Lender any amount so due.

(c) All computations of interest based on the Base Rate shall be made by the Agent on the basis of a year of 365 or 366 days, as the case may be, all computations of interest based on the Eurocurrency Rate or the Federal Funds Rate and of fees and Letter of Credit commissions shall be made by the Agent on the basis of a year of 360 days and computations in respect of Competitive Bid Advances shall be made by the Agent or the Sub-Agent, as the case may be, as specified in the applicable Notice of Competitive Bid Borrowing (or, in each case of Advances denominated in Foreign Currencies where market practice differs, in accordance with market practice), in each case for the actual number of days (including the first day but excluding the last day) occurring in the period for which such interest, fees or commissions are payable. Each determination by the Agent of an interest rate hereunder shall be conclusive and binding for all purposes, absent manifest error.

(d) Whenever any payment hereunder or under the Notes shall be stated to be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day, and such extension of time shall in such case be included in the computation of payment of interest, fee or commission, as the case may be; provided, however, that, if such extension would cause payment of interest on or principal of Eurocurrency Rate Advances or LIBO Rate Advances to be made in the next following calendar month, such payment shall be made on the next preceding Business Day.

(e) Unless the Agent shall have received notice from any Borrower prior to the date on which any payment is due to the Lenders hereunder that such Borrower will not make such payment in full, the Agent may assume that such Borrower has made such payment in full to the Agent on such date and the Agent may, in reliance upon such assumption, cause to be distributed to each Lender on such due date an amount equal to the amount then due such Lender. If and to the extent such Borrower shall not have so made such payment in full to the Agent, each Lender shall repay to the Agent forthwith on demand such amount distributed to such Lender together

with interest thereon, for each day from the date such amount is distributed to such Lender until the date such Lender repays such amount to the Agent, at (i) the Federal Funds Rate in the case of Advances denominated in Dollars or (ii) the cost of funds incurred by the Agent in respect of such amount in the case of Advances denominated in Foreign Currencies.

(f) To the extent that the Agent receives funds for application to the amounts owing by any Borrower under or in respect of this Agreement or any Note in currencies other than the currency or currencies required to enable the Agent to distribute funds to the Lenders in accordance with the terms of this Section 2.14, the Agent shall be entitled to convert or exchange such funds into Dollars or into a Foreign Currency or from Dollars to a Foreign Currency or from a Foreign Currency to Dollars, as the case may be, to the extent necessary to enable the Agent to distribute such funds in accordance with the terms of this Section 2.14; provided that each Borrower and each of the Lenders hereby agree that the Agent shall not be liable or responsible for any loss, cost or expense suffered by such Borrower or such Lender as a result of any conversion or exchange of currencies affected pursuant to this Section 2.14(f) or as a result of the failure of the Agent to effect any such conversion or exchange; and provided further that each Borrower agrees to indemnify the Agent and each Lender, and hold the Agent and each Lender harmless, for any and all losses, costs and expenses incurred by the Agent or any Lender for any conversion or exchange of currencies (or the failure to convert or exchange any currencies) in accordance with this Section 2.14(f).

SECTION 2.15. Taxes. (a) Any and all payments by any Borrower to or for the account of any Lender or the Agent hereunder or under the Notes or any other documents to be delivered hereunder shall be made, in accordance with Section 2.14 or the applicable provisions of such other documents, free and clear of and without deduction for any and all present or future taxes, levies, imposts, deductions, charges or withholdings, and all liabilities with respect thereto, excluding, in the case of each Lender and the Agent, taxes imposed on its overall net income, and franchise taxes imposed on it in lieu of net income taxes, by the jurisdiction under the laws of which such Lender or the Agent (as the case may be) is organized or any political subdivision thereof and, in the case of each Lender, taxes imposed on its overall net income, and franchise taxes imposed on it in lieu of net income taxes, by the jurisdiction of such Lender's Applicable Lending Office or any political subdivision thereof (all such non-excluded taxes, levies, imposts, deductions, charges, withholdings and liabilities in respect of payments hereunder or under the Notes being hereinafter referred to as "Taxes"). If any Borrower shall be required by law to deduct any Taxes from or in respect of any sum payable hereunder or under any Note or any other documents to be delivered hereunder to any Lender or the Agent, (i) the sum payable shall be increased as may be necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 2.15) such Lender or the Agent (as the case may be) receives an amount equal to the sum it would have received had no such deductions been made, (ii) such Borrower shall make such deductions and (iii) such Borrower shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law.

(b) In addition, each Borrower shall pay any present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies that arise from any payment made hereunder or under the Notes any other documents to be delivered hereunder or from the execution, delivery or registration of, performing under, or otherwise with respect to, this Agreement or the Notes or any other documents to be delivered hereunder (hereinafter referred to as "Other Taxes").

(c) Each Borrower shall indemnify each Lender and the Agent for and hold it harmless against the full amount of Taxes or Other Taxes (including, without limitation, taxes of any kind imposed or asserted by any jurisdiction on amounts payable under this Section 2.15) imposed on or paid by such Lender or the Agent (as the case may be) and any liability (including penalties, interest and expenses) arising therefrom or with respect thereto. This indemnification shall be made within 30 days from the date such Lender or the Agent (as the case may be) makes written demand therefor.

(d) Within 30 days after the date of any payment of Taxes, each Borrower shall furnish to the Agent, at its address referred to in Section 9.02, the original or a certified copy of a receipt evidencing such payment to the extent such a receipt is issued therefor, or other written proof of payment thereof that is reasonably satisfactory to the Agent. In the case of any payment hereunder or under the Notes or any other documents to be delivered hereunder by or on behalf of any Borrower through an account or branch outside the United States or by or on behalf of any Borrower by a payor that is not a United States person, if such Borrower determines that no Taxes

are payable in respect thereof, such Borrower shall furnish, or shall cause such payor to furnish, to the Agent, at such address, an opinion of counsel acceptable to the Agent stating that such payment is exempt from Taxes. For purposes of this subsection (d) and subsection (e), the terms "United States" and "United States person" shall have the meanings specified in Section 7701 of the Internal Revenue Code.

(e) Each Lender organized under the laws of a jurisdiction outside the United States, on or prior to the date of its execution and delivery of this Agreement in the case of each Initial Lender and on the date of the Assignment and Acceptance pursuant to which it becomes a Lender in the case of each other Lender, and from time to time thereafter as reasonably requested in writing by any Borrower (but only so long as such Lender remains lawfully able to do so), shall provide each of the Agent and such Borrower with two original Internal Revenue Service Forms W-8BEN or W-8ECI, as appropriate, or any successor or other form prescribed by the Internal Revenue Service, certifying that such Lender is exempt from or entitled to a reduced rate of United States withholding tax on payments pursuant to this Agreement or the Notes. If the form provided by a Lender at the time such Lender first becomes a party to this Agreement indicates a United States interest withholding tax rate in excess of zero, withholding tax at such rate shall be considered excluded from Taxes unless and until such Lender provides the appropriate forms certifying that a lesser rate applies, whereupon withholding tax at such lesser rate only shall be considered excluded from Taxes for periods governed by such form; provided, however, that, if at the date of the Assignment and Acceptance pursuant to which a Lender assignee becomes a party to this Agreement, the Lender assignor was entitled to payments under subsection (a) in respect of United States withholding tax with respect to interest paid at such date, then, to such extent, the term Taxes shall include (in addition to withholding taxes that may be imposed in the future or other amounts otherwise includable in Taxes) United States withholding tax, if any, applicable with respect to the Lender assignee on such date. If any form or document referred to in this subsection (e) requires the disclosure of information, other than information necessary to compute the tax payable and information required on the date hereof by Internal Revenue Service Form W-8BEN or W-8ECI, that the Lender reasonably considers to be confidential, the Lender shall give notice thereof to the Company and shall not be obligated to include in such form or document such confidential information.

(f) For any period with respect to which a Lender has failed to provide the applicable Borrower with the appropriate form, certificate or other document described in Section 2.15(e) (other than if such failure is due to a change in law, or in the interpretation or application thereof, occurring subsequent to the date on which a form, certificate or other document originally was required to be provided, or if such form, certificate or other document otherwise is not required under subsection (e) above), such Lender shall not be entitled to indemnification under Section 2.15(a) or (c) with respect to Taxes imposed by the United States by reason of such failure; provided, however, that should a Lender become subject to Taxes because of its failure to deliver a form, certificate or other document required hereunder, each Borrower shall take such steps as the Lender shall reasonably request to assist the Lender to recover such Taxes.

SECTION 2.16. Sharing of Payments, Etc. If any Lender shall obtain any payment (whether voluntary, involuntary, through the exercise of any right of set-off, or otherwise) on account of the Revolving Credit Advances or Swing Line Advances owing to it (other than pursuant to Section 2.12, 2.15 or 9.04(c)) in excess of its Ratable Share of payments on account of the Revolving Credit Advances and Swing Line Advances obtained by all the Lenders, such Lender shall forthwith purchase from the other Lenders such participations in the Revolving Credit Advances or Swing Line Advances owing to them as shall be necessary to cause such purchasing Lender to share the excess payment ratably with each of them; provided, however, that if all or any portion of such excess payment is thereafter recovered from such purchasing Lender, such purchase from each Lender shall be rescinded and such Lender shall repay to the purchasing Lender the purchase price to the extent of such recovery together with an amount equal to such Lender's ratable share (according to the proportion of (i) the amount of such Lender's required repayment to (ii) the total amount so recovered from the purchasing Lender) of any interest or other amount paid or payable by the purchasing Lender in respect of the total amount so recovered. Each Borrower agrees that any Lender so purchasing a participation from another Lender pursuant to this Section 2.16 may, to the fullest extent permitted by law, exercise all its rights of payment (including the right of set-off) with respect to such participation as fully as if such Lender were the direct creditor of such Borrower in the amount of such participation.

SECTION 2.17. Evidence of Debt. (a) Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of each Borrower to such Lender resulting from each Revolving Credit Advance and each Swing Line Advance owing to such Lender from time to time, including the

amounts of principal and interest payable and paid to such Lender from time to time hereunder in respect of Revolving Credit Advances and Swing Line Advances. Each Borrower agrees that upon notice by any Lender to such Borrower (with a copy of such notice to the Agent) to the effect that a Revolving Credit Note is required or appropriate in order for such Lender to evidence (whether for purposes of pledge, enforcement or otherwise) the Revolving Credit Advances and Swing Line Advances owing to, or to be made by, such Lender, such Borrower shall promptly execute and deliver to such Lender a Revolving Credit Note payable to the order of such Lender in a principal amount up to the Revolving Credit Commitment of such Lender.

(b) The Register maintained by the Agent pursuant to Section 9.07(d) shall include a control account, and a subsidiary account for each Lender, in which accounts (taken together) shall be recorded (i) the date and amount of each Borrowing made hereunder, the Type of Advances comprising such Borrowing and, if appropriate, the Interest Period applicable thereto, (ii) the terms of each Assignment and Acceptance delivered to and accepted by it, (iii) the amount of any principal or interest due and payable or to become due and payable from each Borrower to each Lender hereunder and (iv) the amount of any sum received by the Agent from such Borrower hereunder and each Lender's share thereof.

(c) Entries made in good faith by the Agent in the Register pursuant to subsection (b) above, and by each Lender in its account or accounts pursuant to subsection (a) above, shall be prima facie evidence of the amount of principal and interest due and payable or to become due and payable from each Borrower to, in the case of the Register, each Lender and, in the case of such account or accounts, such Lender, under this Agreement, absent manifest error; provided, however, that the failure of the Agent or such Lender to make an entry, or any finding that an entry is incorrect, in the Register or such account or accounts shall not limit or otherwise affect the obligations of any Borrower under this Agreement.

SECTION 2.18. Use of Proceeds. The proceeds of the Advances shall be available (and the Company agrees that it shall use such proceeds) solely for the working capital and general corporate purposes of the Company and its Subsidiaries, including, but not limited to, the payment of cash amounts required to be paid pursuant to the Settlement Agreement.

ARTICLE III

CONDITIONS TO EFFECTIVENESS AND LENDING

SECTION 3.01. Conditions Precedent to Effectiveness of Sections 2.01 and 2.03. Sections 2.01 and 2.03 of this Agreement shall become effective on and as of the first date (the "Effective Date") on which the following conditions precedent have been satisfied:

(a) The Company shall have notified each Lender and the Agent in writing as to the proposed Effective Date.

(b) The Company shall have paid all accrued fees and expenses of the Agent and the Lenders (including the accrued fees and expenses of counsel to the Agent).

(c) On the Effective Date, the following statements shall be true and the Agent shall have received for the account of each Lender a certificate signed by a duly authorized officer of the Company, dated the Effective Date, stating that:

(i) The representations and warranties contained in Section 4.01 are correct on and as of the Effective Date, and

(ii) No event has occurred and is continuing that constitutes a Default or that constitutes or would, with the passage of time, constitute a Put Event.

(d) The Agent shall have received on or before the Effective Date the following, each dated such day (other than the Settlement Agreement), in form and substance satisfactory to the Agent:

(i) The Revolving Credit Notes to the order of the Lenders to the extent requested by any Lender pursuant to Section 2.17.

(ii) A guaranty in substantially the form of Exhibit D hereto (together with each other guaranty or guaranty supplement delivered pursuant to Section 5.01(h), in each case as amended, the "Subsidiary Guaranty"), duly executed by each of the Domestic Subsidiaries listed on Schedule 4.01(j) hereto.

(iii) Certified copies of the Settlement Agreement, in form and substance satisfactory to the Lenders, duly executed by each of the parties thereto.

(iv) Certified copies of the resolutions of the Board of Directors of each Loan Party approving the other Loan Documents to which it is a party, and of all documents evidencing other necessary corporate action and governmental approvals, if any, with respect to the Loan Documents to which it is a party.

(v) A certificate of the Secretary or an Assistant Secretary of each Loan Party certifying the names and true signatures of the officers of such Loan Party authorized to sign the Loan Documents to which it is a party and the other documents to be delivered hereunder.

(vi) A favorable opinion of Skadden, Arps, Slate, Meagher & Flom LLP, Linklaters Loesch, counsel for the Loan Parties and Lux SCA, respectively, substantially in the form of Exhibits E-1, E-2 and E-3 hereto, respectively.

(vii) A favorable opinion of Shearman & Sterling LLP, counsel for the Agent, in form and substance satisfactory to the Agent.

SECTION 3.02. Initial Advance to Each Designated Subsidiary. The obligation of each Lender to make an initial Advance to each Designated Subsidiary is subject to the receipt by the Agent on or before the date of such initial Advance of each of the following, in form and substance reasonably satisfactory to the Agent and dated such date, and (except for the Notes) in sufficient copies for each Lender:

(a) The Notes of such Designated Subsidiary to the order of the Lenders to the extent requested by any Lender pursuant to Section 2.17.

(b) Certified copies of the resolutions of the Board of Directors of such Designated Subsidiary (with a certified English translation if the original thereof is not in English) approving this Agreement and the other Loan Documents to be delivered by it, and of all documents evidencing other necessary corporate action and governmental approvals, if any, with respect to this Agreement and the other Loan Documents to be delivered by it.

(c) A certificate of a proper officer of such Designated Subsidiary certifying the names and true signatures of the officers of such Designated Subsidiary authorized to sign its Borrower Designation Agreement, the other Loan Documents to be delivered by it and the other documents to be delivered by it hereunder.

(d) A Borrower Designation Agreement duly executed by such Designated Subsidiary and the Company.

(f) Favorable opinions of counsel (which may be in-house counsel) to such Designated Subsidiary substantially in the form of Exhibit E hereto and as to such other matters as any Lender through the Agent may request.

(g) Such other approvals, opinions or documents as any Lender, through the Agent may reasonably request.

SECTION 3.03. Conditions Precedent to Each Revolving Credit Borrowing, Each Swing Line Borrowing and Each Issuance. The obligation of each Lender to make an Advance (other than (x) a Competitive Bid Advance, (y) a Swing Line Advance made by a Lender pursuant to Section 2.02(b) and (z) an Advance made by any Issuing Bank or any Lender pursuant to Section 2.04(c)) and the obligations of each Issuing Bank to issue a Letter of Credit shall be subject to the conditions precedent that the Effective Date shall have occurred and on the date of such Borrowing or issuance (a) the following statements shall be true (and each of the giving of the applicable Notice of Revolving Credit Borrowing, Notice of Swing Line Borrowing, Notice of Issuance and the acceptance by the Borrower requesting such Borrowing of the proceeds of such Borrowing or such Letter of Credit shall constitute a representation and warranty by such Borrower that on the date of such Borrowing or issuance such statements are true):

(i) the representations and warranties contained in Section 4.01 are correct on and as of such date, before and after giving effect to such Borrowing or issuance and to the application of the proceeds therefrom, as though made on and as of such date, except to the extent such representations and warranties expressly relate to any earlier date, in which case such representations and warranties shall be true and correct as of such earlier date, and

(ii) no event has occurred and is continuing, or would result from such Borrowing or issuance or from the application of the proceeds therefrom, that constitutes a Default or that constitutes or would, with the passage of time, constitute a Put Event;

and (b) the Agent shall have received such other approvals, opinions or documents as any Lender through the Agent may reasonably request.

SECTION 3.04. Conditions Precedent to Each Competitive Bid Borrowing. The obligation of each Lender that is to make a Competitive Bid Advance on the occasion of a Competitive Bid Borrowing to make such Competitive Bid Advance as part of such Competitive Bid Borrowing is subject to the conditions precedent that (i) the Agent shall have received the written confirmatory Notice of Competitive Bid Borrowing with respect thereto, (ii) on or before the date of such Competitive Bid Borrowing, but prior to such Competitive Bid Borrowing, the Agent shall have received a Competitive Bid Note payable to the order of such Lender for each of the one or more Competitive Bid Advances to be made by such Lender as part of such Competitive Bid Borrowing, in a principal amount equal to the principal amount of the Competitive Bid Advance to be evidenced thereby and otherwise on such terms as were agreed to for such Competitive Bid Advance in accordance with Section 2.03, and (iii) on the date of such Competitive Bid Borrowing the following statements shall be true (and each of the giving of the applicable Notice of Competitive Bid Borrowing and the acceptance by the Borrower requesting such Competitive Bid Borrowing of the proceeds of such Competitive Bid Borrowing shall constitute a representation and warranty by such Borrower that on the date of such Competitive Bid Borrowing such statements are true):

(a) the representations and warranties contained in Section 4.01 are correct on and as of the date of such Competitive Bid Borrowing, before and after giving effect to such Competitive Bid Borrowing and to the application of the proceeds therefrom, as though made on and as of such date, except to the extent such representations and warranties expressly relate to any earlier date, in which case such representations and warranties shall be true and correct as of such earlier date, and

(b) no event has occurred and is continuing, or would result from such Competitive Bid Borrowing or from the application of the proceeds therefrom, that constitutes a Default or that constitutes or would, with the passage of time, constitute a Put Event.

SECTION 3.05. Determinations Under Section 3.01. For purposes of determining compliance with the conditions specified in Section 3.01, each Lender shall be deemed to have consented to, approved or accepted or to be satisfied with each document or other matter required thereunder to be consented to or approved by or acceptable or satisfactory to the Lenders unless an officer of the Agent responsible for the transactions

contemplated by this Agreement shall have received notice from such Lender prior to the date that the Company, by notice to the Lenders, designates as the proposed Effective Date, specifying its objection thereto. The Agent shall promptly notify the Lenders of the occurrence of the Effective Date.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES

SECTION 4.01. Representations and Warranties of the Borrowers. Each Borrower represents and warrants as follows:

(a) Status. Each of the Company and its Material Subsidiaries (i) is duly organized, validly existing and, if applicable, in good standing, under the laws of the jurisdiction of its incorporation or organization, (ii) has the corporate or comparable power and authority to own its property and assets and to transact the business in which it is engaged and presently proposes to engage and (iii) is duly qualified as a foreign corporation and, if applicable, in good standing in each jurisdiction where the ownership, leasing or operation of property or the conduct of its business requires such qualification, except where the failure to be so qualified would not reasonably be expected to have a Material Adverse Effect.

(b) Power and Authority. Each Borrower and each Subsidiary Guarantor has the corporate or comparable power and authority to execute, deliver and perform the terms and provisions of each of the Loan Documents to which it is a party and has taken all necessary corporate or comparable action to authorize the execution, delivery and performance by it of each of such Loan Documents. Each Borrower and each Subsidiary Guarantor has duly executed and delivered each of the Loan Documents to which it is a party, and each of such Loan Documents constitutes its legal, valid and binding obligation enforceable in accordance with its terms, except to the extent that the enforceability thereof may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws generally affecting creditors' rights and by equitable principles (regardless of whether enforcement is sought in equity or at law).

(c) No Violation. Neither the execution, delivery or performance by any Borrower or any Subsidiary Guarantor of the Loan Documents to which it is a party, nor compliance by it with the terms and provisions thereof, (i) contravenes any provision of any law, statute, rule or regulation or any material order, writ, injunction or decree of any court or governmental instrumentality, (ii) conflicts or is inconsistent with or results in any breach of any of the terms, covenants, conditions or provisions of, or constitutes a default under, or results in the creation or imposition of (or the obligation to create or impose) any Lien upon any of the property or assets of the Company or any of its Material Subsidiaries pursuant to the terms of any material indenture, mortgage, deed of trust, credit agreement, loan agreement or any other material agreement, contract or instrument to which the Company or any of its Material Subsidiaries is a party or by which it or any of its property or assets are bound or to which it may be subject or (iii) violates any provision of the certificate of incorporation or by-laws (or the equivalent documents) of the Company or any of its Material Subsidiaries.

(d) Governmental Approvals. No order, consent, approval, license, authorization or validation of, or filing, recording or registration with (except as have been obtained or made and which remain in full force and effect), or exemption by, any governmental or public body or authority, or any subdivision thereof, is required to be obtained by the Company, any Borrower or any Subsidiary Guarantor to authorize, or is required for, (i) the execution, delivery and performance of any Loan Document or (ii) the legality, validity, binding effect or enforceability of any Loan Document.

(e) Financial Statements; Financial Condition. The audited Consolidated balance sheet of the Company and its Subsidiaries for the fiscal year ended December 31, 2002 and the related Consolidated statements of income or operations, shareholders' equity and cash flows for such fiscal year of the Company and its Subsidiaries (i) were prepared in accordance with generally accepted accounting principles consistently applied throughout the period covered thereby, except as otherwise expressly noted

therein; and (ii) fairly present in all material respects the financial condition of the Company and its Subsidiaries as of the date thereof and their results of operations for the period covered thereby in accordance with generally accepted accounting principles consistently applied throughout the period covered thereby, except as otherwise expressly noted therein. The unaudited Consolidated financial statements of the Company and its Subsidiaries dated September 30, 2003, and the related Consolidated statements of income or operations, and cash flows for the nine months ended on September 30, 2003 (i) were prepared in accordance with generally accepted accounting principles consistently applied throughout the period covered thereby, except as otherwise expressly noted therein, and subject to normal year-end audit adjustments and to the fact that such financial statements may be abbreviated and may omit footnotes or contain incomplete footnotes; and (ii) fairly present in all material respects the financial condition of the Company and its Subsidiaries as of the date thereof and their results of operations for the period covered thereby. Since December 31, 2002 there has been no change in the business, results of operations or financial condition of the Company and its Subsidiaries, taken as a whole, that would reasonably be expected to have a Material Adverse Effect.

(f) Litigation. Except as disclosed in the Company's filings with the Securities and Exchange Commission prior to the date hereof, there are no actions, suits or proceedings pending or, to the knowledge of any Borrower, threatened against the Company or any Material Subsidiary in which there is a reasonable possibility of an adverse decision (i) which in any manner draws into question the validity or enforceability of any Loan Document or (ii) that would reasonably be expected to have a Material Adverse Effect.

(g) True and Complete Disclosure. All factual information (taken as a whole) heretofore or contemporaneously furnished by or on behalf of the Company or any of its Subsidiaries in writing to any Lender (including, without limitation, all information relating to the Company and its Subsidiaries contained in the Loan Documents but excluding any forecasts and projections of financial information and results submitted to any

Lender) for purposes of or in connection with this Agreement, or any transaction contemplated herein, is to the knowledge of the Company true and accurate in all material respects on the date as of which such information is dated or certified and not incomplete by omitting to state any fact necessary to make such information (taken as a whole) not misleading at such time in light of the circumstances under which such information was provided.

(h) Use of Proceeds; Margin Regulations. (i) All proceeds of Advances shall be used by the respective Borrowers for the working capital and general corporate purposes of the Company and its Subsidiaries, including , but not limited to, the payment of cash amounts required to be paid pursuant to the Settlement Agreement.

(ii) No part of the proceeds of any Advance will be used by any Borrower or any Subsidiary thereof to purchase or carry any Margin Stock (other than repurchases by the Company of its own stock) or to extend credit to others for the purpose of purchasing or carrying any Margin Stock. Neither the making of any Advance or Letter of Credit nor the use of the proceeds thereof will violate or be inconsistent with the provisions of Regulations T, U or X of the Board of Governors of the Federal Reserve System.

(i) Compliance with ERISA. Each Plan is in substantial compliance with the material provisions of ERISA and the Internal Revenue Code; no Reportable Event has occurred with respect to a Plan which would reasonably be expected to result in a liability in excess of $25,000,000; no Plan is insolvent or in reorganization; excluding Plans which are multiemployer plans (as defined in Section 4001(a)(3) of ERISA) the aggregate Unfunded Current Liability for all Plans does not exceed $25,000,000, and no Plan has an accumulated or waived funding deficiency or has applied for an extension of any amortization period within the meaning of Section 412 of the Internal Revenue Code; all material contributions required to be made with respect to a Plan have been timely made; neither the Company nor any Subsidiary of the Company nor any ERISA Affiliate has incurred any material liability to or on account of a Plan pursuant to Section 4062, 4063, 4064, 4069, 4201, 4204 or 4212 of ERISA or Section 401(a)(29),

or 4971 of the Internal Revenue Code; no proceedings have been instituted to terminate, or to appoint a trustee to administer, any Plan other than pursuant to Section 4041(b) of ERISA; and no lien imposed under the Internal Revenue Code or ERISA on the assets of the Company or any Subsidiary of the Company or any ERISA Affiliate exists or is likely to arise on account of any Plan. All representations made in this Section 4.01(i) with respect to Plans which are multiemployer plans (as defined in Section 4001(a)(3) of ERISA) shall be to the best knowledge of the Company.

(j) Subsidiaries. Schedule 4.01(j) correctly sets forth, as of the Effective Date, each Material Subsidiary of the Company.

(k) Environmental Matters. (i) Each of the Company and its Subsidiaries is, to the knowledge of the Senior Financial Officers, after due inquiry, in compliance with all applicable Environmental Laws and the requirements of any permits issued under such Environmental Laws, except for any such noncompliance or failures which would not reasonably be expected to have, either individually or in the aggregate, a Material Adverse Effect.

(ii) Neither the Company nor any Subsidiary has received notice to the effect that its operations are not in compliance with any of the requirements of any Environmental Law or are the subject of any governmental investigation evaluating whether any remedial action is needed to respond to release of any toxic or hazardous waste or substance into the environment, except for notices that relate to noncompliance or remedial action which would not reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect.

(l) Investment Company Act. Neither the Company nor any of its Subsidiaries is an "investment company" or a company "controlled" by an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

(m) Public Utility Holding Company Act. Neither the Company nor any of its Subsidiaries is a "holding company," or a "subsidiary company" of a "holding company," or an "affiliate" of a "holding company" or of a "subsidiary company" of a "holding company" within the meaning of the Public Utility Holding Company Act of 1935, as amended.

(n) Patents, Licenses, Franchises and Formulas. Each of the Company and its Subsidiaries owns all the patents, trademarks, permits, service marks, trade names, copyrights, licenses, franchises and formulas, or rights with respect to the foregoing, or each has obtained licenses or assignments of all other rights of whatever nature necessary for the present conduct of its businesses, without any known conflict with the rights of others which, or the failure to obtain which, as the case may be, would reasonably be expected to result in a Material Adverse Effect.

(o) Labor Relations. Neither the Company nor any of its Subsidiaries is engaged in any unfair labor practice that would reasonably be expected to have a Material Adverse Effect.

(p) Solvency. On the date hereof, each of SAC(US) individually, and the Company and its Subsidiaries taken as a whole, are Solvent. "Solvent" means, with respect to any Person on a particular date, that on such date (i) the fair market value of the assets of such Person is greater than the total amount of liabilities, including, without limitation, Contingent Obligations, of such Person, (ii) it is then able and expects to be able to pay its debts (including, without limitation, Contingent Obligations and other commitments) as they mature, (iii) such Person does not intend to, and does not believe that it will, incur debts or liabilities beyond such Person's ability to pay such debts and liabilities as they mature and (iv) such Person is not engaged in business or a transaction, and is not about to engage in business or a transaction, for which such Person's property would constitute an unreasonably small capital. The amount of Contingent Obligations at any time shall be computed as the amount that, in the light of all the facts and circumstances known to the Company at such time, represents the amount that can reasonably be expected to become an actual or matured liability.

ARTICLE V

COVENANTS OF THE COMPANY

SECTION 5.01. Affirmative Covenants. So long as any Advance shall remain outstanding or any Lender shall have any Commitment hereunder:

(a) Information Covenants. The Company will furnish to the Agent (in sufficient quantity for each Lender):

(i) Quarterly Financial Statements. Within 60 days after the close of each of the first three quarterly accounting periods in each fiscal year of the Company, the Consolidated balance sheet of the Company and its Subsidiaries as at the end of such quarterly accounting period and the related Consolidated statements of income for such quarterly accounting period and for the elapsed portion of the fiscal year ended with the last day of such quarterly accounting period and the related Consolidated statement of cash flows for the elapsed portion of the fiscal year ended with the last day of such quarterly accounting period, accompanied by a copy of the certification by the chief executive officer or the chief financial officer of the Company delivered to the Securities and Exchange Commission in connection with any report filed by the Company on a Form 10-Q (or any successor form), subject to normal year-end audit adjustments and to the fact that such financial statements may be abbreviated and may omit footnotes or contain incomplete footnotes.

(ii) Annual Financial Statements. Within 120 days after the close of each fiscal year of the Company, the Consolidated balance sheet of the Company and its Subsidiaries as at the end of such fiscal year and the related Consolidated statements of income and retained earnings and cash flows for such fiscal year, in each case reported on by independent certified public accountants of recognized national standing.

(iii) Officer's Certificates. At the time of the delivery of the financial statements provided for in 5.01(a)(i) and (ii), a certificate of the chief financial officer of the Company to the effect that to the best of such officer's knowledge, no Default has occurred and is continuing, or if the chief financial officer is unable to make such certification, such officer shall supply a statement setting forth the reasons for such inability, specifying the nature and extent of such reasons. Such certificate shall also set forth the calculations required to establish whether the Company was in compliance with the provisions of Section 5.03, at the end of such fiscal quarter or year, as the case may be.

(iv) Notice of Default, Put Event or Litigation. Promptly, and in any event within five Business Days after a Senior Financial Officer obtains actual knowledge thereof, notice of (A) the occurrence of any event which constitutes a Default or that constitutes or would, with the passage of time, constitute a Put Event or (B) a development or event which would reasonably be expected to have a Material Adverse Effect.

(v) Other Reports and Filings. Within ten Business Days after the same are filed, copies of all reports on Forms 10-K, 10-Q, and 8-K and any amendments thereto, or successor forms, which the Company may file with the Securities and Exchange Commission or any governmental agencies substituted therefor.

(vi) Accounting Charges. Until the Release Date, at the time of the delivery of the financial statements provided for in 5.01(a)(i) and (ii), a certificate of the chief financial officer of the Company itemizing Accounting Charges, if any, of $30,000,000 or more with respect to SAC(US) made or taken after the Effective Date.

(vii) Other Information. From time to time, such other information or documents (financial or otherwise) as any Lender may reasonably request.

(b) Books, Records and Inspections. The Company will, and will cause each of its Subsidiaries to, permit officers and designated representatives of the Agent or the Required Lenders, at their own expense, upon five Business Days' notice, to visit and inspect (subject to reasonable safety and confidentiality requirements) any of the properties of the Company or such Subsidiary, and to examine the books of account of the Company or such Subsidiary and discuss the affairs, finances and accounts of the Company or such Subsidiary with, and be advised as to the same by, its and their officers and independent accountants, all at such reasonable times during normal business hours and intervals and to such reasonable extent as the Agent or the Required Lenders may request; provided that such Lender shall have given the Company's Chief Financial Officer or Treasurer a reasonable opportunity to participate therein in person or through a designated representative.

(c) Maintenance of Insurance. The Company will, and will cause each of its Material Subsidiaries to maintain with financially sound and reputable insurance companies (which may include captive insurers) insurance as is reasonable for the business activities of the Company and its Subsidiaries.

(d) Corporate Franchises. The Company will, and will cause each of its Material Subsidiaries to, do or cause to be done, all things necessary to preserve and keep in full force and effect its existence and corporate or comparable franchises necessary or desirable in the normal conduct of its business; provided, however, that nothing in this subsection (d) shall prevent (i) any merger or consolidation between or among the Subsidiaries of the Company, in each case in accordance with Section 5.02(d), or (ii) the dissolution or liquidation of any Subsidiary of the Company or the withdrawal by the Company or any of its Subsidiaries of its qualification to do business as a foreign corporation in any jurisdiction, if the Company determines that there is a valid business purpose for doing so.

(e) Compliance with Statutes, etc. The Company will, and will cause each of its Subsidiaries to, comply in all material respects with all applicable statutes, regulations and orders of, and all applicable restrictions imposed by, all governmental bodies, domestic or foreign, in respect of the conduct of its business and the ownership of its property (including, without limitation, all Environmental Laws applicable to the ownership or use of real property now or hereafter owned or operated by the Company or any of its Subsidiaries), except where the necessity of compliance therewith is being contested in good faith.

(f) ERISA. As soon as possible and, in any event, within 10 days after a Senior Financial Officer of the Company knows of the occurrence of any of the following, the Company will deliver to each of the Lenders a certificate of the Chief Financial Officer of the Company setting forth details as to such occurrence and the action, if any, that the Company or a Subsidiary is required or proposes to take, together with any notices required or proposed to be given to or filed with or by the Company, the Subsidiary, the ERISA Affiliate, the PBGC, a Plan participant or the Plan administrator with respect thereto: that a Reportable Event which would reasonably be expected to result in a Material Adverse Effect has occurred; that a Plan has been or is expected to be terminated, reorganized, partitioned or declared insolvent under Title IV of ERISA; that a Plan has an Unfunded Current Liability giving rise to a lien under ERISA or the Internal Revenue Code; that proceedings may be or have been instituted to terminate or appoint a trustee to administer a Plan pursuant to which the Company, a Subsidiary of the Company or an ERISA Affiliate will be required to contribute amounts in excess of $25,000,000 in the aggregate in any fiscal year of the Company in order to effect such termination; that a proceeding has been instituted pursuant to Section 515 of ERISA to collect a delinquent contribution to a Plan; that the Company, any Subsidiary of the Company or any ERISA Affiliate will or is expected to incur any material liability (including any indirect, contingent or secondary liability) to or on account of the termination of or withdrawal from a Plan under Section 4062, 4063, 4064, 4069, 4201, 4204 or 4212 of ERISA or with respect to a Plan under Section 401(a)(29) or 4971 of the Internal Revenue Code.

(g) Performance of Obligations. The Company will, and will cause each of its Material Subsidiaries to, perform all of its material monetary obligations, including tax liabilities, under the terms of each mortgage, indenture, security agreement and other material agreement by which it is bound, except where the same is being contested in good faith.

(h) Additional Subsidiary Guarantors. The Company shall (i) within 30 days after the delivery of the financial statements required to be delivered pursuant to Section 5.01(a)(i) or (ii) cause each Domestic Subsidiary which, directly, or indirectly, is, at the date of such financial statements, a Material Subsidiary and not already a Subsidiary Guarantor, to become a Subsidiary Guarantor hereunder and (ii) immediately upon consummation of an Acquisition cause any Acquired Entity which, directly or indirectly, is both a Domestic Subsidiary and a Material Subsidiary, to become a Subsidiary Guarantor hereunder, in each case by executing a Subsidiary Guaranty and delivering to the Agent the documents that would have been required by Section 3.01(d)(ii), (iv) and (v) if such Subsidiary had been subject thereto on the Effective Date; provided that Sealed Air Funding Corporation shall not be required to become a Subsidiary Guarantor for as long as such action is, or is required to be, restricted by its certificate of incorporation or by-laws.

SECTION 5.02. Negative Covenants. So long as any Advance shall remain outstanding or any Lender shall have any Commitment hereunder:

(a) Liens. The Company will not, and will not permit any of its Material Subsidiaries to, create, assume or suffer to exist any Lien on any asset now owned or hereafter acquired by it, except:

(i) Liens existing on the date hereof securing Indebtedness outstanding on the date hereof or incurred pursuant to Section 5.02(b)(ii), in any case identified on Schedule 5.02(b)(ii);

(ii) Liens on any asset securing Indebtedness incurred or assumed after the date hereof for the purpose of financing all or any part of the cost of purchasing or constructing such asset (including any Capital Lease); provided that such Lien attaches to such asset concurrently with or within 180 days after the purchase or completion of construction thereof;

(iii) any Lien on any asset of any Person existing at the time such Person becomes a Subsidiary of the Company and not created in contemplation of such event;

(iv) any Lien on any asset of any Person existing at the time such Person is merged or consolidated with or into the Company or any of its Subsidiaries and not created in contemplation of such event;

(v) any Lien on any asset existing prior to the acquisition thereof by the Company or any of its Subsidiaries and not created in contemplation of such acquisition;

(vi) any Lien arising out of the renewal, replacement or refunding of any Indebtedness secured by any Lien permitted by any of the foregoing clauses of this Section, provided that such Indebtedness is not increased other than by an amount equal to any reasonable financing fees and is not secured by any additional assets;

(vii) Liens created pursuant to any industrial revenue bond or similar conduit financing to secure the related Indebtedness, so long as such Lien is limited to the assets of the related project;

(viii) Liens securing any obligations of any Subsidiary of the Company to a Borrower or a Subsidiary Guarantor;

(ix) Liens on accounts receivable that are the subject of a Permitted Receivables Financing (and any related property that would ordinarily be subjected to a lien in connection therewith, such as proceeds and records);

(x) Liens for taxes, governmental assessments, charges or levies in the nature of taxes not yet due and payable, or Liens for taxes, governmental assessments, charges or levies in the nature of taxes being contested in good faith and by appropriate proceedings for which adequate reserves (in the good faith judgment of the management of the Company) have been established;

(xi) Liens imposed by law, which were incurred in the ordinary course of business and do not secure indebtedness for borrowed money, such as carriers', warehousemen's, materialmen's, repairmen's and mechanic's liens and other similar Liens arising in the ordinary course of business, including, without limitation, Liens in respect of litigation claims made or filed against the Company or any of its Subsidiaries in the ordinary course of business, and (x) which do not in the aggregate materially detract from the value of such property or assets or materially impair the use thereof in the operation of the business of the Company and its Subsidiaries or (y) which are being contested in good faith by appropriate proceedings, which proceedings have the effect of preventing the forfeiture or sale of the property or assets subject to any such Lien;

(xii) Permitted Encumbrances;

(xiii) utility deposits and pledges or deposits in connection with worker's compensation, unemployment insurance and other social security legislation, or to secure the performance of tenders, statutory obligations, surety, customs and appeal bonds, bids, leases, performance and return-of-money bonds and other similar obligations (exclusive of obligations for the payment of borrowed money);

(xiv) landlord's liens under leases to which the Company or any of its Subsidiaries is a party;

(xv) Liens arising from precautionary UCC financing statement filings regarding operating leases; and

(xvi) Liens not otherwise permitted by the foregoing clauses of this Section securing Indebtedness in an aggregate principal amount outstanding at any time not exceeding the greater of $235,000,000 and 10% of Consolidated Stockholders' Equity as at the last day of the most recently ended fiscal quarter of the Company;

provided, that until the Release Date, the Company will not permit SAC(US) to create, assume or suffer to exist any Lien on any asset now owned or hereafter acquired by it, except as described in clauses (i), (ii), (iv), (vi), (vii), (ix), (x), (xi), (xii), (xiii), (xiv) and (xv) above to the extent such Liens secured Indebtedness or other obligations of SAC(US) and provided, further, that (x) the aggregate amount of Indebtedness secured by Liens on assets of SAC(US) pursuant to clause (ii) above shall not exceed $50,000,000 and (y) the aggregate amount of Indebtedness secured by Liens on assets of SAC(US) pursuant to clause (vii) above shall not exceed $10,000,000.

(b) Subsidiary Indebtedness. The Company will not permit any of its Material Subsidiaries to create, incur, assume or suffer to exist any Indebtedness, except:

(i) Indebtedness incurred pursuant to this Agreement or the Subsidiary Guaranty (or any guarantee that such Material Subsidiary may be required to issue to any other creditor of the Company concurrently with and as a result of the issuance of the Subsidiary Guaranty);

(ii) Indebtedness existing as of September 30, 2003 or incurred pursuant to commitments or lines of credit in effect as of September 30, 2003 in any case identified on Schedule 5.02(b)(ii), or any renewal, replacement or refunding thereof so long as such renewals, replacements or refundings do not increase the amount of such Indebtedness or such commitments or lines of credit in the aggregate;

(iii) Indebtedness of any Person existing at the time such Person becomes a Subsidiary of the Company or is merged or consolidated into the Company or any of its Subsidiaries and not created in contemplation of such event, provided that on a pro forma basis (assuming that such event had been consummated on the first day of the most recently ended period of four fiscal quarters for which financial statements have been or are required to have been delivered pursuant to Section 5.01(a)), the Company would have been in compliance with Section 5.03 as of the last day of such period, and any renewal, replacement or refunding thereof so long as such renewal, replacement or refunding does not increase the amount of such Indebtedness;

(iv) Indebtedness of a Subsidiary Guarantor;

(v) Indebtedness owed to the Company or a Subsidiary of the Company;

(v) Indebtedness secured by Liens permitted pursuant to Section 5.02(a)(ii);

(vi) Indebtedness arising under a Permitted Receivables Financing; and

(vii) Indebtedness not otherwise permitted by the foregoing clauses of this Section 5.02(b) in an aggregate principal amount at any time outstanding not exceeding the greater of $235,000,000 and 10% of Consolidated Stockholders' Equity as at the last day of the most recently ended fiscal quarter of the Company.

provided, that until the Release Date, the Company will not permit SAC(US) to create, assume or suffer to exist any Indebtedness, except as described in clauses (i), (ii), (v) and (vi) above.

(c) Limitations on Acquisitions. The Company will not, and will not permit any of its Subsidiaries, to make any Material Acquisition unless (i) no Event of Default exists or would exist after giving effect to such Material Acquisition and (ii) concurrently with or before consummation of such Material Acquisition, the Company delivers to the Agent a certificate of the Chief Financial Officer of the Company, certifying that (A) immediately upon and following the consummation of such Material Acquisition, the Company will be in compliance with Sections 5.02(a) and (b) and (B) on a pro forma basis (assuming such Material Acquisition had been consummated on the first day of the most recently ended period of four fiscal quarters for which financial statements have been or are required to have been delivered pursuant to Section 5.01(a)), the Company would have been in compliance with Section 5.03 as of the last day of such period.

(d) Mergers and Consolidations. The Company will not, and will not permit any Material Subsidiary to, be a party to any merger or consolidation, provided that (other than as may relate to SAC(US) prior to the Release Date):

(i) any Subsidiary may consolidate with or merge into the Company or another Subsidiary if in any such merger or consolidation involving the Company, the Company shall be the surviving or continuing corporation; and

(ii) any Person may consolidate with or merge into the Company or any Subsidiary if (A) in any such merger or consolidation involving the Company, the Company is the surviving or continuing corporation, (B) in any such merger or consolidation involving a Subsidiary the

corporation resulting from such merger or consolidation shall be a Subsidiary; and (C) at the time of such merger or consolidation and after giving effect thereto, (i) if such transaction constitutes a Material Acquisition, the Company or such Subsidiary has complied with Section 5.02(c) and (ii) in any event, no Event of Default shall have occurred and be continuing or would result after giving effect to such transaction.

(e) Asset Sales. (i) Other than as may be permitted by clause (ii) below, the Company will not, and will not permit any Material Subsidiary to, sell, lease, transfer or otherwise dispose of (by merger or otherwise to a Person who is not a Wholly-Owned Subsidiary) all or any part of its property if such transaction involves a substantial portion of the business of the Company and its Subsidiaries, taken as a whole, provided that, until the Release Date, the Company shall not (x) sell, lease, transfer or otherwise dispose of any ownership interests in SAC(US) or (y) permit SAC(US) to sell, lease, transfer or otherwise dispose of any assets other than inventory in the ordinary course of business and sales or trade-ins of used equipment for fair value in the ordinary course of business for like assets or cash. As used in this paragraph, a sale, lease, transfer or other disposition of any property of the Company or a Subsidiary shall be deemed to be a substantial portion of the business of the Company and its Subsidiaries, taken as a whole, if the property proposed to be disposed of, together with all other property previously sold, leased, transferred or disposed of (other than in the ordinary course of business and other than as part of a Permitted Receivables Financing) during the current fiscal year of the Company would exceed 10% of the Consolidated Assets as of the end of the immediately preceding fiscal year.

(ii) The Company will not, and will not permit any Material Subsidiary to, sell, pledge or otherwise transfer any accounts receivable as a method of financing unless, after giving effect thereto the sum of (A) the aggregate uncollected balances of accounts receivable so transferred ("Transferred Receivables") plus (y) the aggregate amount of collections on Transferred Receivables theretofore received by the seller but not yet remitted to the purchaser, in each case at the date of determination, would not exceed $300,000,000 (a "Permitted Receivables Financing").

(f) Business. The Company will not, and will not permit any of its Material Subsidiaries to, engage in any business other than the businesses in which the Company and its Subsidiaries, taken as a whole, are engaged on the Effective Date, plus extensions and expansions thereof, and businesses and activities incidental or related thereto.

(g) Limitation on Asset Transfers to Foreign Subsidiaries. Neither the Company nor any Domestic Subsidiary, will convey, sell, lease, assign, transfer or otherwise dispose of (collectively, a "transfer") any of its property, business or assets (including, without limitation leasehold interests), whether now owned or hereafter acquired, to any Foreign Subsidiary, except (other than as may relate to SAC(US) prior to the Release Date) such transfers which, individually or in the aggregate, would not reasonably be expected to materially and adversely affect the business, results of operations or financial condition of the Company and its Subsidiaries taken as a whole.

(h) Amendment of Settlement Agreement. Without the prior consent of the Agent acting at the direction of the Required Lenders, the Company will not (i) cancel or terminate the Settlement Agreement, or consent to or accept any cancellation or termination thereof, or (ii) amend or otherwise modify the Settlement Agreement or give any consent, waiver or approval thereunder, waive any default under or breach of the Settlement Agreement, agree in any manner to any other amendment, modification or change of any term or condition of the Settlement Agreement or take any other action in connection with the Settlement Agreement, in each case under this clause (ii), to the extent that such amendment, modification, consent, waiver, approval or action could reasonably be expected to increase the asbestos-related liability of the Company and its Subsidiaries in excess of the amounts provided for in the Settlement Agreement or materially reduce the protection against asbestos-related liabilities afforded to the Company and its Subsidiaries by the Settlement Agreement.

SECTION 5.03. Financial Covenants. So long as any Advance shall remain outstanding or any Lender shall have any Commitment hereunder:

(a) Interest Coverage Ratio. The Company will not permit the Interest Coverage Ratio for any Test Period to be less than 3.0 to 1.0.

(b) Leverage Ratio. The Company will not permit the Leverage Ratio for any Test Period ended during the periods set forth below to be more than ratio set opposite such period:

Period	Leverage Ratio
Until June 30, 2004	4.50 to 1.0
June 30, 2004 to June 30, 2005	4.25 to 1.0
On and after June 30, 2005	4.00 to 1.0

(c) Liquidity. Until the Release Date, the Company will not permit its Minimum Liquidity to less than $250,000,000 and will not permit its Minimum Liquidity in the form of cash held at the Company and its Domestic Subsidiaries to be less than $100,000,000.

ARTICLE VI

EVENTS OF DEFAULT

SECTION 6.01. Events of Default. If any of the following events ("Events of Default") shall occur and be continuing:

(a) Payments. Any Borrower shall (i) default in the payment when due of any payment of principal of its Advances or Notes or (ii) default, and such default shall continue unremedied for at least two Business Days, of any payment of interest on its Advances or Notes, of any fees or other amounts owing by it hereunder or thereunder; or

(b) Representations, etc. Any representation, warranty or statement made by any Borrower herein or in any other Loan Document or in any certificate delivered pursuant hereto or thereto shall prove to have been, when made, untrue in any material respect; or

(c) Covenants. Any Borrower shall (i) default in the due performance or observance by it of any term, covenant or agreement contained in Sections 5.01(a)(iv), 5.01(h), 5.02 (other than subsections (f) or (g) thereof) or 5.03 or (ii) default in the due performance or observance by it of any term, covenant or agreement (other than those referred to in Sections 6.01(a) or (b) and clause (i) of this Section 6.01(c) but including Sections 5.02(f) and (g)) contained in this Agreement and such default described in this clause (ii) shall continue unremedied for a period of 30 days after written notice to the Company by the Agent or the Required Lenders; or

(d) Default Under Other Agreements. (i) The Company or any of its Subsidiaries shall (x) default in any payment of any Indebtedness (other than the Notes) beyond the period of grace, if any, provided in the instrument or agreement under which such Indebtedness was created or (y) default in the observance or performance of any agreement or condition relating to any Indebtedness (other than the Notes) or contained in any instrument or agreement evidencing, securing or relating thereto, or any other event shall occur or condition exist, the effect of which default or other event or condition is to cause, or to

permit the holder or holders of such Indebtedness (or a trustee or agent on behalf of such holder or holders) to cause (determined without regard to whether any notice is required), any such Indebtedness to become due prior to its stated maturity or (ii) any Indebtedness of the Company or any of its Subsidiaries shall be declared to be due and payable, or required to be prepaid other than by a regularly scheduled or other mandatory required prepayment or by reason of optional prepayment or tender by the issuer at its discretion, prior to the stated maturity thereof; provided that it shall not constitute an Event of Default pursuant to this clause (d) unless the aggregate amount of all Indebtedness referred to in clauses (i) and (ii) above exceeds $25,000,000 at any one time; or

(e) Bankruptcy, etc. The Company or any of its Material Subsidiaries shall commence a voluntary case concerning itself under Title 11 of the United States Code entitled "Bankruptcy," as now or hereafter in effect, or any successor thereto (the "Bankruptcy Code"); or an involuntary case is commenced against the Company or any of its Material Subsidiaries, and the petition is not dismissed within 60 days, after commencement of the case; or a custodian (as defined in the Bankruptcy Code) is appointed for, or takes charge of, all or substantially all of the property of the Company or any of its Material Subsidiaries, or the Company or any of its Material Subsidiaries commences any other proceeding under any reorganization, arrangement, adjustment of debt, relief of debtors, dissolution, insolvency or liquidation or similar law of any jurisdiction whether now or hereafter in effect relating to the Company or any of its Material Subsidiaries, or there is commenced against the Company or any of its Material Subsidiaries any such proceeding which remains undismissed for a period of 60 days, or the Company or any of its Material Subsidiaries is adjudicated insolvent or bankrupt; or any order of relief or other order approving any such case or proceeding is entered; or the Company or any of its Material Subsidiaries suffers any appointment of any custodian or the like for it or any substantial part of its property to continue undischarged or unstayed for a period of 60 days; or the Company or any of its Material Subsidiaries makes a general assignment for the benefit of creditors; or any corporate action is taken by the Company or any of its Material Subsidiaries for the purpose of effecting any of the foregoing; or

(f) ERISA. (a) Any Plan shall fail to satisfy the minimum funding standard required for any plan year or part thereof or a waiver of such standard or extension of any amortization period is sought or granted under Section 412 of the Internal Revenue Code, any Plan shall have had or is likely to have a trustee appointed to administer such Plan, any Plan is, shall have been or is likely to be terminated or to be the subject of termination proceedings under ERISA (other than 4041(b)), any Plan shall have an Unfunded Current Liability, a material contribution required to be made to a Plan has not been timely made, the Company or any Subsidiary of the Company or any ERISA Affiliate has incurred or is likely to incur a liability to or on account of a Plan under Section 515, 4062, 4063, 4064, 4069, 4201, 4204 or 4212 of ERISA or Section 401(a)(29), or 4971 of the Internal Revenue Code; and (b) there shall result from any such event or events the imposition of a lien, the granting of a security interest, or a liability, involving in any case in excess of $25,000,000; or

(g) Judgments. One or more judgments or decrees shall be entered against the Company or any of its Material Subsidiaries involving in the aggregate for the Company and its Material Subsidiaries a liability (not paid or fully covered by insurance) of $25,000,000 or more, and all such judgments or decrees shall not have been vacated, discharged or stayed or bonded pending appeal within 30 days from the entry thereof; or

(h) Guaranty. Article VII hereof, the Subsidiary Guaranty or any provision thereof shall cease to be in full force or effect, or the Company or any Subsidiary Guarantor or any Person acting by or on behalf of the Company or any Subsidiary Guarantor shall deny or disaffirm such Subsidiary Guarantor's obligations under Article VII hereof or the Subsidiary Guaranty, as the case may be; or

(i) Change of Control. A Change of Control shall occur; or

(j) Accounting Charges. Accounting Charges of $50,000,000 or more with respect to SAC(US) shall be made or taken after the Effective Date and prior to the Release Date;

then, and in any such event, the Agent (i) shall at the request, or may with the consent, of the Required Lenders, by notice to the Borrowers, declare the obligation of each Lender to make Advances (other than Advances to be made by a Lender pursuant to Section 2.02(b) or by an Issuing Bank or a Lender pursuant to Section 2.04(c)) and of the Issuing Banks to issue Letters of Credit to be terminated, whereupon the same shall forthwith terminate, and (ii) shall at the request, or may with the consent, of the Required Lenders, by notice to the Borrowers, declare the Advances, all interest thereon and all other amounts payable under this Agreement to be forthwith due and payable, whereupon the Advances, all such interest and all such amounts shall become and be forthwith due and payable, without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by the Borrowers; provided, however, that in the event of an actual or deemed entry of an order for relief with respect to any Borrower under the Federal Bankruptcy Code, (A) the obligation of each Lender to make Advances (other than Advances to be made by a Lender pursuant to Section 2.02(b) or by an Issuing Bank or a Lender pursuant to Section 2.04(c)) and of the Issuing Banks to issue Letters of Credit shall automatically be terminated and (B) the Advances, all such interest and all such amounts shall automatically become and be due and payable, without presentment, demand, protest or any notice of any kind, all of which are hereby expressly waived by the Borrowers.

SECTION 6.02. Actions in Respect of the Letters of Credit upon Default. If any Event of Default shall have occurred and be continuing, the Agent may with the consent, or shall at the request, of the Required Lenders, irrespective of whether it is taking any of the actions described in Section 6.01 or otherwise, make demand upon the Company to, and forthwith upon such demand the Company will, (a) pay to the Agent on behalf of the Lenders in same day funds at the Agent's office designated in such demand, for deposit in the L/C Cash Deposit Account, an amount equal to the aggregate Available Amount of all Letters of Credit then outstanding or (b) make such other reasonable arrangements in respect of the outstanding Letters of Credit as shall be acceptable to the Required Lenders; provided, however, that in the event of an actual or deemed entry of an order for relief with respect to any Borrower under the Federal Bankruptcy Code, (A) the obligation of the Borrowers to pay to the Agent on behalf of the Lenders in same day funds at the Agent's office designated in such demand, for deposit in the L/C Cash Deposit Account, an amount equal to the aggregate Available Amount of all Letters of Credit then outstanding shall automatically become and be due and payable, without presentment, demand, protest or any notice of any kind, all of which are hereby expressly waived by the Borrowers. If at any time the Agent reasonably determines that any funds held in the L/C Cash Deposit Account are subject to any right or interest of any Person other than the Agent and the Lenders or that the total amount of such funds is less than the aggregate Available Amount of all Letters of Credit, the Borrowers will, forthwith upon demand by the Agent, pay to the Agent, as additional funds to be deposited and held in the L/C Cash Deposit Account, an amount equal to the excess of (a) such aggregate Available Amount over (b) the total amount of funds, if any, then held in the L/C Cash Deposit Account that are free and clear of any such right and interest. Upon the drawing of any Letter of Credit, to the extent funds are on deposit in the L/C Cash Deposit Account, such funds shall be applied to reimburse the Issuing Banks to the extent permitted by applicable law, and if so applied, then such reimbursement shall be deemed a repayment of the corresponding Advance in respect of such Letter of Credit. After all such Letters of Credit shall have expired or been fully drawn upon and all other obligations of the Borrowers hereunder and under the Notes shall have been paid in full, the balance, if any, in such L/C Cash Deposit Account shall be promptly returned to the Company.

ARTICLE VII

GUARANTY

SECTION 7.01 Guaranty. (a) The Company hereby absolutely, unconditionally and irrevocably guarantees the punctual payment when due, whether at scheduled maturity or on any date of a required prepayment or by acceleration, demand or otherwise, of all obligations of each other Borrower now or hereafter existing under or in respect of this Agreement or any Notes (including, without limitation, any extensions, modifications, substitutions, amendments or renewals of any or all of the foregoing obligations), whether direct or indirect, absolute or contingent, and whether for principal, interest, premiums, fees, indemnities, contract causes of action, costs, expenses or otherwise (such obligations being the "Guaranteed Obligations"), and agrees to pay any and all expenses (including, without limitation, fees and expenses of counsel) incurred by the Agent or any Lender in enforcing any rights under this Guaranty. Without limiting the generality of the foregoing, the Company's liability shall extend to all amounts that constitute part of the Guaranteed Obligations and would be owed by any other Borrower to the Agent or any Lender under or in respect of this Agreement or any Notes but for the fact that they are unenforceable

or not allowable due to the existence of a bankruptcy, reorganization or similar proceeding involving such other Borrower.

SECTION 7.02. Guaranty Absolute. The Company guarantees payment of the Guaranteed Obligations strictly in accordance with the terms of this Agreement and any Notes, regardless of any law, regulation or order now or hereafter in effect in any jurisdiction affecting any of such terms or the rights of the Agent or any Lender with respect thereto. The obligations of the Company under or in respect of this Guaranty are independent of the Guaranteed Obligations or any other obligations of any other Borrower under or in respect of this Agreement and any Notes, and a separate action or actions may be brought and prosecuted against the Company to enforce this Guaranty, irrespective of whether any action is brought against any other Borrower or whether any other Borrower is joined in any such action or actions. The liability of the Company under this Guaranty shall be irrevocable, absolute and unconditional irrespective of, and the Company hereby irrevocably waives any defenses it may now have or hereafter acquire in any way relating to, any or all of the following:

(a) any lack of validity or enforceability of this Agreement, the Notes or any agreement or instrument relating thereto;

(b) any change in the time, manner or place of payment of, or in any other term of, all or any of the Guaranteed Obligations or any other obligations of any other Borrower under or in respect of this Agreement and any Notes, or any other amendment or waiver of or any consent to departure from this Agreement or any Note, including, without limitation, any increase in the Guaranteed Obligations resulting from the extension of additional credit to any Borrower or any of its Subsidiaries or otherwise;

(c) any taking, exchange, release or non-perfection of any collateral, or any taking, release or amendment or waiver of, or consent to departure from, any other guaranty, for all or any of the Guaranteed Obligations;

(d) any manner of application of any collateral, or proceeds thereof, to all or any of the Guaranteed Obligations, or any manner of sale or other disposition of any other collateral for all or any of the Guaranteed Obligations or any other obligations of any Borrower under this Agreement and any Notes or any other assets of any Borrower or any of its Subsidiaries;

(e) any change, restructuring or termination of the corporate structure or existence of any Borrower or any of its Subsidiaries;

(f) any failure of the Agent or any Lender to disclose to the Company any information relating to the business, condition (financial or otherwise), operations, performance, properties or prospects of any other Borrower now or hereafter known to the Agent or such Lender (the Company waiving any duty on the part of the Agent and the Lenders to disclose such information);

(g) the failure of any other Person to execute or deliver this any other guaranty or agreement or the release or reduction of liability of any other guarantor or surety with respect to the Guaranteed Obligations; or

(h) any other circumstance (including, without limitation, any statute of limitations) or any existence of or reliance on any representation by the Agent or any Lender that might otherwise constitute a defense available to, or a discharge of, any Borrower or any other guarantor or surety.

This Guaranty shall continue to be effective or be reinstated, as the case may be, if at any time any payment of any of the Guaranteed Obligations is rescinded or must otherwise be returned by the Agent or any Lender or any other Person upon the insolvency, bankruptcy or reorganization of any other Borrower or otherwise, all as though such payment had not been made.

SECTION 7.03. Waivers and Acknowledgments. The Company hereby unconditionally and irrevocably waives promptness, diligence, notice of acceptance, presentment, demand for performance, notice of

nonperformance, default, acceleration, protest or dishonor and any other notice with respect to any of the Guaranteed Obligations and this Guaranty and any requirement that the Agent or any Lender protect, secure, perfect or insure any Lien or any property subject thereto or exhaust any right or take any action against any Borrower or any other Person or any collateral.

(b) The Company hereby unconditionally and irrevocably waives any right to revoke this Guaranty and acknowledges that this Guaranty is continuing in nature and applies to all Guaranteed Obligations, whether existing now or in the future.

(c) The Company hereby unconditionally and irrevocably waives (i) any defense arising by reason of any claim or defense based upon an election of remedies by the Agent or any Lender that in any manner impairs, reduces, releases or otherwise adversely affects the subrogation, reimbursement, exoneration, contribution or indemnification rights of the Company or other rights of the Company to proceed against any of the other Borrower, any other guarantor or any other Person or any collateral and (ii) any defense based on any right of set-off or counterclaim against or in respect of the obligations of the Company hereunder.

(d) The Company hereby unconditionally and irrevocably waives any duty on the part of the Agent or any Lender to disclose to the Company any matter, fact or thing relating to the business, condition (financial or otherwise), operations, performance, properties or prospects of any other Borrower or any of its Subsidiaries now or hereafter known by the Agent or such Lender.

(e) The Company acknowledges that it will receive substantial direct and indirect benefits from the financing arrangements contemplated by this Agreement and any Notes and that the waivers set forth in Section 7.02 and this Section 7.03 are knowingly made in contemplation of such benefits.

SECTION 7.04. Subrogation. The Company hereby unconditionally and irrevocably agrees until the later of the payment in full in cash of the Guaranteed Obligations and all other amounts payable under this Guaranty and the Termination Date not to exercise any rights that it may now have or hereafter acquire against any other Borrower or any other insider guarantor that arise from the existence, payment, performance or enforcement of the Company's obligations under or in respect of this Guaranty, including, without limitation, any right of subrogation, reimbursement, exoneration, contribution or indemnification and any right to participate in any claim or remedy of the Agent or any Lender against any Borrower or any other insider guarantor or any collateral, whether or not such claim, remedy or right arises in equity or under contract, statute or common law, including, without limitation, the right to take or receive from any Borrower or any other insider guarantor, directly or indirectly, in cash or other property or by set-off or in any other manner, payment or security on account of such claim, remedy or right, unless and until all of the Guaranteed Obligations and all other amounts payable under this Guaranty shall have been paid in full in cash and the Commitments shall have expired or been terminated. If any amount shall be paid to the Company in violation of the immediately preceding sentence at any time prior to the later of (a) the payment in full in cash of the Guaranteed Obligations and all other amounts payable under this Guaranty and (b) the Termination Date, such amount shall be received and held in trust for the benefit of the Agent and the Lenders, shall be segregated from other property and funds of the Company and shall forthwith be paid or delivered to the Agent in the same form as so received (with any necessary endorsement or assignment) to be credited and applied to the Guaranteed Obligations and all other amounts payable under this Guaranty, whether matured or unmatured, in accordance with the terms of this Agreement and any Notes, or to be held as collateral for any Guaranteed Obligations or other amounts payable under this Guaranty thereafter arising. If (i) the Company shall make payment to the Agent or any Lender of all or any part of the Guaranteed Obligations, (ii) all of the Guaranteed Obligations and all other amounts payable under this Guaranty shall have been paid in full in cash and (iii) the Termination Date shall have occurred, the Agent and the Lenders will, at the Company's request and expense, execute and deliver to the Company appropriate documents, without recourse and without representation or warranty, necessary to evidence the transfer by subrogation to the Company of an interest in the Guaranteed Obligations resulting from such payment made by the Company pursuant to this Guaranty.

SECTION 7.05. Subordination. The Company hereby subordinates any and all debts, liabilities and other obligations owed to the Company by each other Borrower (the "Subordinated Obligations") to the Guaranteed Obligations to the extent and in the manner hereinafter set forth in this Section 7.05:

(a) Prohibited Payments, Etc. Except during the continuance of a Default (including the commencement and continuation of any proceeding under any Bankruptcy Law relating to any other Borrower), the Company may receive regularly scheduled payments from any other Borrower on account of the Subordinated Obligations. After the occurrence and during the continuance of any Default (including the commencement and continuation of any proceeding under any Bankruptcy Law relating to any other Borrower), however, unless the Required Lenders otherwise agree, the Company shall not demand, accept or take any action to collect any payment on account of the Subordinated Obligations.

(b) Prior Payment of Guaranteed Obligations. In any proceeding under any Bankruptcy Law relating to any other Borrower, the Company agrees that the Agent and the Lenders shall be entitled to receive payment in full in cash of all Guaranteed Obligations (including all interest and expenses accruing after the commencement of a proceeding under any Bankruptcy Law, whether or not constituting an allowed claim in such proceeding ("Post Petition Interest")) before the Company receives payment of any Subordinated Obligations.

(c) Turn-Over. After the occurrence and during the continuance of any Default (including the commencement and continuation of any proceeding under any Bankruptcy Law relating to any other Borrower), the Company shall, if the Agent so requests, collect, enforce and receive payments on account of the Subordinated Obligations as trustee for the Agent and the Lenders and deliver such payments to the Agent on account of the Guaranteed Obligations (including all Post Petition Interest), together with any necessary endorsements or other instruments of transfer, but without reducing or affecting in any manner the liability of the Company under the other provisions of this Guaranty.

(d) Agent Authorization. After the occurrence and during the continuance of any Default (including the commencement and continuation of any proceeding under any Bankruptcy Law relating to any other Borrower), the Agent is authorized and empowered (but without any obligation to so do), in its discretion, (i) in the name of the Company, to collect and enforce, and to submit claims in respect of, Subordinated Obligations and to apply any amounts received thereon to the Guaranteed Obligations (including any and all Post Petition Interest), and (ii) to require the Company (A) to collect and enforce, and to submit claims in respect of, Subordinated Obligations and (B) to pay any amounts received on such obligations to the Agent for application to the Guaranteed Obligations (including any and all Post Petition Interest).

SECTION 7.06. Continuing Guaranty; Assignments. This Guaranty is a continuing guaranty and shall (a) remain in full force and effect until the later of (i) the payment in full in cash of the Guaranteed Obligations and all other amounts payable under this Guaranty and (ii) the Termination Date, (b) be binding upon the Company, its successors and assigns and (c) inure to the benefit of and be enforceable by the Agent and the Lenders and their successors, transferees and assigns. Without limiting the generality of clause (c) of the immediately preceding sentence, the Agent or any Lender may assign or otherwise transfer all or any portion of its rights and obligations under this Agreement (including, without limitation, all or any portion of its Commitments, the Advances owing to it and any Note or Notes held by it) to any other Person, and such other Person shall thereupon become vested with all the benefits in respect thereof granted to the Agent or such Lender herein or otherwise, in each case as and to the extent provided in Section 9.07. The Company shall not have the right to assign its rights hereunder or any interest herein without the prior written consent of the Agent and the Lenders.

ARTICLE VIII

THE AGENT

SECTION 8.01. Authorization and Action. Each Lender (in its capacities as a Lender and Issuing Bank, as applicable) hereby appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers and discretion under this Agreement as are delegated to the Agent by the terms hereof, together with such powers and discretion as are reasonably incidental thereto. As to any matters not expressly provided for by this Agreement (including, without limitation, enforcement or collection of the Notes), the Agent shall not be required to exercise any discretion or take any action, but shall be required to act or to refrain from

acting (and shall be fully protected in so acting or refraining from acting) upon the instructions of the Required Lenders, and such instructions shall be binding upon all Lenders and all holders of Notes; provided, however, that the Agent shall not be required to take any action that exposes the Agent to personal liability or that is contrary to this Agreement or applicable law. The Agent agrees to give to each Lender prompt notice of each notice given to it by the Borrowers pursuant to the terms of this Agreement.

SECTION 8.02. Agent's Reliance, Etc. Neither the Agent nor any of its directors, officers, agents or employees shall be liable for any action taken or omitted to be taken by it or them under or in connection with this Agreement, except for its or their own gross negligence or willful misconduct. Without limitation of the generality of the foregoing, the Agent: (i) may treat the Lender that made any Advance as the holder of the Debt resulting therefrom until the Agent receives and accepts an Assignment and Acceptance entered into by such Lender, as assignor, and an Eligible Assignee, as assignee, as provided in Section 9.07; (ii) may consult with legal counsel (including counsel for the Company), independent public accountants and other experts selected by it and shall not be liable for any action reasonably taken or omitted to be taken in good faith by it in accordance with the reasonable advice of such counsel, accountants or experts; (iii) makes no warranty or representation to any Lender and shall not be responsible to any Lender for any statements, warranties or representations (whether written or oral) made in or in connection with this Agreement; (iv) shall not have any duty to ascertain or to inquire as to the performance, observance or satisfaction of any of the terms, covenants or conditions of this Agreement on the part of any Borrower or the existence at any time of any Default or to inspect the property (including the books and records) of any Borrower; (v) shall not be responsible to any Lender for the due execution, legality, validity, enforceability, genuineness, sufficiency or value of, or the perfection or priority of any lien or security interest created or purported to be created under or in connection with, this Agreement or any other instrument or document furnished pursuant hereto; and (vi) shall incur no liability under or in respect of this Agreement by acting upon any notice, consent, certificate or other instrument or writing (which may be by telecopier, telegram or telex) believed by it to be genuine and signed or sent by the proper party or parties.

SECTION 8.03. Citibank and Affiliates. With respect to its Commitments, the Advances made by it and the Note issued to it, Citibank shall have the same rights and powers under this Agreement as any other Lender and may exercise the same as though it were not the Agent; and the term "Lender" or "Lenders" shall, unless otherwise expressly indicated, include Citibank in its individual capacity. Citibank and its Affiliates may accept deposits from, lend money to, act as trustee under indentures of, accept investment banking engagements from and generally engage in any kind of business with, the Company, any of its Subsidiaries and any Person who may do business with or own securities of the Company or any such Subsidiary, all as if Citibank were not the Agent and without any duty to account therefor to the Lenders. The Agent shall have no duty to disclose any information obtained or received by it or any of its Affiliates relating to the Company or any of its Subsidiaries to the extent such information was obtained or received in any capacity other than as Agent.

SECTION 8.04. Lender Credit Decision. Each Lender acknowledges that it has, independently and without reliance upon the Agent or any other Lender and based on the financial statements referred to in Section 4.01 and such other documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon the Agent or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement.

SECTION 8.05. Indemnification. (a) Each Lender severally agrees to indemnify the Agent (to the extent not reimbursed by a Borrower), from and against such Lender's Ratable Share (determined at the time indemnification is sought hereunder) of any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever that may be imposed on, incurred by, or asserted against the Agent in any way relating to or arising out of this Agreement or any action taken or omitted by the Agent under this Agreement (collectively, the "Indemnified Costs"), provided that no Lender shall be liable for any portion of the Indemnified Costs resulting from the Agent's gross negligence or willful misconduct. Without limitation of the foregoing, each Lender agrees to reimburse the Agent promptly upon demand for its Ratable Share (determined at the time indemnification is sought hereunder) of any out-of-pocket expenses (including counsel fees) incurred by the Agent in connection with the preparation, execution, delivery, administration, modification, amendment or enforcement (whether through negotiations, legal proceedings or

otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement, to the extent that the Agent is not reimbursed for such expenses by a Borrower. In the case of any investigation, litigation or proceeding giving rise to any Indemnified Costs, this Section 8.05 applies whether any such investigation, litigation or proceeding is brought by the Agent, any Lender or a third party.

(b) Each Lender severally agrees to indemnify the Issuing Banks (to the extent not promptly reimbursed by the Company) from and against such Lender's Ratable Share (determined at the time indemnification is sought hereunder) of any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever that may be imposed on, incurred by, or asserted against any such Issuing Bank in any way relating to or arising out of this Agreement or any action taken or omitted by such Issuing Bank hereunder or in connection herewith; provided, however, that no Lender shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from such Issuing Bank's gross negligence or willful misconduct. Without limitation of the foregoing, each Lender agrees to reimburse any such Issuing Bank promptly upon demand for its Ratable Share (determined at the time indemnification is sought hereunder) of any costs and expenses (including, without limitation, fees and expenses of counsel) payable by the Company under Section 9.04, to the extent that such Issuing Bank is not promptly reimbursed for such costs and expenses by the Company. In the case of any investigation, litigation or proceeding to which this Section 8.05(b) applies, such indemnity shall be effective whether any such investigation, litigation or proceeding is brought by an Issuing Bank, any Lender or a third party.

(c) The failure of any Lender to reimburse the Agent or any Issuing Bank promptly upon demand for its Ratable Share of any amount required to be paid by the Lenders to the Agent as provided herein shall not relieve any other Lender of its obligation hereunder to reimburse the Agent or any Issuing Bank for its Ratable Share of such amount, but no Lender shall be responsible for the failure of any other Lender to reimburse the Agent or any Issuing Bank for such other Lender's Ratable Share of such amount. Without prejudice to the survival of any other agreement of any Lender hereunder, the agreement and obligations of each Lender contained in this Section 8.05 shall survive the payment in full of principal, interest and all other amounts payable hereunder and under the Notes. Each of the Agent and each Issuing Bank agrees to return to the Lenders their respective Ratable Shares of any amounts paid under this Section 8.05 that are subsequently reimbursed by the Company or any Borrower.

SECTION 8.06. Successor Agent. The Agent may resign at any time by giving written notice thereof to the Lenders and the Company and may be removed at any time with or without cause by the Required Lenders. Upon any such resignation or removal, the Required Lenders shall have the right to appoint a successor Agent. If no successor Agent shall have been so appointed by the Required Lenders, and shall have accepted such appointment, within 30 days after the retiring Agent's giving of notice of resignation or the Required Lenders' removal of the retiring Agent, then the retiring Agent may, on behalf of the Lenders, appoint a successor Agent, which shall be a commercial bank organized under the laws of the United States of America or of any State thereof and having a combined capital and surplus of at least $500,000,000. Upon the acceptance of any appointment as Agent hereunder by a successor Agent, such successor Agent shall thereupon succeed to and become vested with all the rights, powers, discretion, privileges and duties of the retiring Agent, and the retiring Agent shall be discharged from its duties and obligations under this Agreement. After any retiring Agent's resignation or removal hereunder as Agent, the provisions of this Article VIII shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Agent under this Agreement.

SECTION 8.07. Sub-Agent. The Sub-Agent has been designated under this Agreement to carry out duties of the Agent. The Sub-Agent shall be subject to each of the obligations in this Agreement to be performed by the Sub-Agent, and each of the Borrowers and the Lenders agrees that the Sub-Agent shall be entitled to exercise each of the rights and shall be entitled to each of the benefits of the Agent under this Agreement as relate to the performance of its obligations hereunder.

SECTION 8.08. Other Agents. Each Lender hereby acknowledges that neither the syndication agent, the documentation agents nor any other Lender designated as any "Agent" on the signature pages hereof has any liability hereunder other than in its capacity as a Lender.

ARTICLE IX

SECTION 9.01. Amendments, Etc. No amendment or waiver of any provision of this Agreement or any other Loan Document (other than the Competitive Bid Notes), nor consent to any departure by any Loan Party therefrom, shall in any event be effective unless the same shall be in writing and signed by the Required Lenders, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided, however, that no amendment, waiver or consent shall, unless in writing and signed by each Lender affected thereby, do any of the following: (a) waive any of the conditions specified in Section 3.01, (b) increase the Revolving Credit Commitments of such Lender, (c) reduce the principal of, or interest on, the Revolving Credit Advances, the Swing Line Advances or any fees or other amounts payable hereunder, (d) postpone any date fixed for any payment of principal of, or interest on, the Revolving Credit Advances or Swing Line Advances or any fees or other amounts payable hereunder, (e) change the percentage of the Commitments or of the aggregate unpaid principal amount of the Revolving Credit Advances, or the number of Lenders, that shall be required for the Lenders or any of them to take any action hereunder, (f) waive the requirement of Section 2.06(a) that the reductions of Commitments be applied ratably or (g) amend this Section 9.01; and provided further that (x) no amendment, waiver or consent shall, unless in writing and signed by the Agent in addition to the Lenders required above to take such action, affect the rights or duties of the Agent under this Agreement or any Note, (y) no amendment, waiver or consent shall, unless in writing and signed by the Swing Line Bank in addition to the Lenders required above to take such action, adversely affect the rights or obligations of the Swing Line Bank in its capacities as such under this Agreement and (z) no amendment, waiver or consent shall, unless in writing and signed by the Issuing Banks in addition to the Lenders required above to take such action, adversely affect the rights or obligations of the Issuing Banks in their capacities as such under this Agreement.

SECTION 9.02. Notices, Etc. (a) All notices and other communications provided for hereunder shall be either (x) in writing (including telecopier, telegraphic or telex communication) and mailed, telecopied, telegraphed, telexed or delivered or (y) as and to the extent set forth in Section 9.02(b) and in the proviso to this Section 9.02(a), if to any Borrower, at the Company's address at Park 80 East, Saddle Brook, New Jersey 07663, Attention: Treasurer, with a copy to Attention: General Counsel; if to any Initial Lender, at its Domestic Lending Office specified opposite its name on Schedule I hereto; if to any other Lender, at its Domestic Lending Office specified in the Assignment and Acceptance pursuant to which it became a Lender; and if to the Agent, at its address at Two Penns Way, New Castle, Delaware 19720, Attention: Bank Loan Syndications Department; or, as to the Company or the Agent, at such other address as shall be designated by such party in a written notice to the other parties and, as to each other party, at such other address as shall be designated by such party in a written notice to the Company and the Agent, provided that materials required to be delivered pursuant to Section 5.01(a)(i), (ii) or (v) shall be delivered to the Agent as specified in Section 9.02(b) or as otherwise specified to the Company by the Agent. All such notices and communications shall, when mailed, telecopied, telegraphed or e-mailed, be effective when deposited in the mails, telecopied, delivered to the telegraph company or confirmed by e-mail, respectively, except that notices and communications to the Agent pursuant to Article II, III or VIII shall not be effective until received by the Agent. Delivery by telecopier of an executed counterpart of any amendment or waiver of any provision of this Agreement or the Notes or of any Exhibit hereto to be executed and delivered hereunder shall be effective as delivery of a manually executed counterpart thereof.

(b) So long as Citibank or any of its Affiliates is the Agent, materials required to be delivered pursuant to Section 5.01(a)(i), (ii) and (v) shall be delivered to the Agent in an electronic medium in a format acceptable to the Agent and the Lenders by e-mail at oploanswebadmin@citigroup.com. The Company agrees that the Agent may make such materials, as well as any other written information, documents, instruments and other material relating to the Company, any of its Subsidiaries or any other materials or matters relating to this Agreement, the Notes or any of the transactions contemplated hereby (collectively, the "Communications") available to the Lenders by posting such notices on Intralinks, "e-Disclosure", the Agent's internet delivery system that is part of Fixed Income Direct, Global Fixed Income's primary web portal, or a substantially similar electronic system (the "Platform"). The Company acknowledges that (i) the distribution of material through an electronic medium is not necessarily secure and that there are confidentiality and other risks associated with such distribution, (ii) the Platform is provided "as is" and "as available" and (iii) neither the Agent nor any of its Affiliates warrants the accuracy, adequacy or completeness of the Communications or the Platform and each expressly disclaims liability for errors or omissions in the Communications or the Platform. No warranty of any kind, express, implied or statutory, including, without limitation, any warranty of merchantability, fitness for a particular purpose, non-

infringement of third party rights or freedom from viruses or other code defects, is made by the Agent or any of its Affiliates in connection with the Platform.

(c) Each Lender agrees that notice to it (as provided in the next sentence) (a "Notice") specifying that any Communications have been posted to the Platform shall constitute effective delivery of such information, documents or other materials to such Lender for purposes of this Agreement; provided that if requested by any Lender the Agent shall deliver a copy of the Communications to such Lender by email or telecopier. Each Lender agrees (i) to notify the Agent in writing of such Lender's e-mail address to which a Notice may be sent by electronic transmission (including by electronic communication) on or before the date such Lender becomes a party to this Agreement (and from time to time thereafter to ensure that the Agent has on record an effective e-mail address for such Lender) and (ii) that any Notice may be sent to such e-mail address.

SECTION 9.03. No Waiver; Remedies. No failure on the part of any Lender or the Agent to exercise, and no delay in exercising, any right hereunder or under any Note shall operate as a waiver thereof; nor shall any single or partial exercise of any such right preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

SECTION 9.04. Costs and Expenses. (a) The Company agrees to pay on demand all reasonable costs and expenses of the Agent in connection with the preparation, execution, delivery, administration, modification and amendment of this Agreement, the Notes and the other documents to be delivered hereunder, including, without limitation, (A) all reasonable due diligence, syndication (including printing, distribution and bank meetings), transportation, computer, duplication, appraisal, consultant, and audit expenses and (B) the reasonable fees and expenses of counsel for the Agent with respect thereto and with respect to advising the Agent as to its rights and responsibilities under this Agreement. The Company further agrees to pay on demand all costs and expenses of the Agent and the Lenders, if any (including, without limitation, reasonable counsel fees and expenses), in connection with the enforcement (whether through negotiations, legal proceedings or otherwise) of this Agreement, the Notes and the other documents to be delivered hereunder, including, without limitation, reasonable fees and expenses of counsel for the Agent and each Lender in connection with the enforcement of rights under this Section 9.04(a).

(b) The Company agrees to indemnify and hold harmless the Agent and each Lender and each of their Affiliates and their officers, directors, employees, agents and advisors (each, an "Indemnified Party") from and against any and all claims, liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements (including, without limitation, reasonable fees and expenses of counsel) incurred by or asserted or awarded against any Indemnified Party, in each case arising out of or in connection with or by reason of (including, without limitation, in connection with any investigation, litigation or proceeding or preparation of a defense in connection therewith) (i) the Notes, this Agreement, any of the transactions contemplated herein or the actual or proposed use of the proceeds of the Advances or (ii) the actual or alleged presence of Hazardous Materials on any property of any Borrower or any of its Subsidiaries or any Environmental Claims relating in any way to any Borrower or any of its Subsidiaries, except to the extent such claim, damage, loss, liability or expense is found in a final, non-appealable judgment by a court of competent jurisdiction to have resulted from such Indemnified Party's gross negligence or willful misconduct. In the case of an investigation, litigation or other proceeding to which the indemnity in this Section 9.04(b) applies, such indemnity shall be effective whether or not such investigation, litigation or proceeding is brought by a Borrower, its directors, equityholders or creditors or an Indemnified Party or any other Person, whether or not any Indemnified Party is otherwise a party thereto and whether or not the transactions contemplated hereby are consummated. Each Borrower also agrees not to assert any claim for special, indirect, consequential or punitive damages against the Agent, any Lender, any of their Affiliates, or any of their respective directors, officers, employees, attorneys and agents, on any theory of liability, arising out of or otherwise relating to the Notes, this Agreement, any of the transactions contemplated herein or the actual or proposed use of the proceeds of the Advances.

(c) If any payment of principal of, or Conversion of, any Eurocurrency Rate Advance or LIBO Rate Advance is made by any Borrower to or for the account of a Lender (i) other than on the last day of the Interest Period for such Advance, as a result of a payment or Conversion pursuant to Section 2.09, 2.11 or 2.13, acceleration of the maturity of the Notes pursuant to Section 6.01 or for any other reason, or by an Eligible Assignee to a Lender other than on the last day of the Interest Period for such Advance upon an assignment of rights and

obligations under this Agreement pursuant to Section 9.07 as a result of a demand by a Borrower pursuant to Section 9.07(a) or (ii) as a result of a payment or Conversion pursuant to Section 2.09, 2.11 or 2.13, such Borrower shall, upon demand by such Lender (with a copy of such demand to the Agent), pay to the Agent for the account of such Lender any amounts required to compensate such Lender for any additional losses, costs or expenses that it may reasonably incur as a result of such payment or Conversion, including, without limitation, any loss (excluding loss of anticipated profits), cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by any Lender to fund or maintain such Advance. If the amount of the Committed Currency purchased by any Lender in the case of a Conversion or exchange of Advances in the case of Section 2.09 or 2.13 exceeds the sum required to satisfy such Lender's liability in respect of such Advances, such Lender agrees to remit to the Company such excess.

(d) Without prejudice to the survival of any other agreement of the Borrowers hereunder, the agreements and obligations of the Borrowers contained in Sections 2.12, 2.14(f), 2.15 9.04 and 9.12(c) shall survive the payment in full of principal, interest and all other amounts payable hereunder and under the Notes.

SECTION 9.05. Right of Set-off. Upon (i) the occurrence and during the continuance of any Event of Default and (ii) the making of the request or the granting of the consent specified by Section 6.01 to authorize the Agent to declare the Notes due and payable pursuant to the provisions of Section 6.01, each Lender and each of its Affiliates is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by such Lender or such Affiliate to or for the credit or the account of any Borrower against any and all of the obligations of such Borrower now or hereafter existing under this Agreement and the Note held by such Lender, whether or not such Lender shall have made any demand under this Agreement or such Note and although such obligations may be unmatured. Each Lender agrees promptly to notify the applicable Borrower after any such set-off and application, provided that the failure to give such notice shall not affect the validity of such set-off and application. The rights of each Lender and its Affiliates under this Section are in addition to other rights and remedies (including, without limitation, other rights of set-off) that such Lender and its Affiliates may have.

SECTION 9.06. Binding Effect. This Agreement shall become effective (other than Sections 2.01 and 2.03, which shall only become effective upon satisfaction of the conditions precedent set forth in Section 3.01) when it shall have been executed by the Company and the Agent and when the Agent shall have been notified by each Initial Lender that such Initial Lender has executed it and thereafter shall be binding upon and inure to the benefit of each Borrower, the Agent and each Lender and their respective successors and assigns, except that no Borrower shall have the right to assign its rights hereunder or any interest herein without the prior written consent of the Lenders.

SECTION 9.07. Assignments and Participations. (a) Each Lender may and, if demanded by a Borrower (following a demand by such Lender pursuant to Section 2.12 or 2.15) upon at least five Business Days' notice to such Lender and the Agent, will assign to one or more Persons all or a portion of its rights and obligations under this Agreement (including, without limitation, all or a portion of its Revolving Credit Commitment, its Unissued Letter of Credit Commitment, the Revolving Credit Advances owing to it, its participations in Letters of Credit and the Revolving Credit Note or Notes held by it); provided, however, that (i) each such assignment shall be of a constant, and not a varying, percentage of all rights and obligations under this Agreement (other than any right to make Competitive Bid Advances, Competitive Bid Advances owing to it and Competitive Bid Notes), (ii) except in the case of an assignment to a Person that, immediately prior to such assignment, was a Lender or an assignment of all of a Lender's rights and obligations under this Agreement, the amount of (x) the Revolving Credit Commitment of the assigning Lender being assigned pursuant to each such assignment (determined as of the date of the Assignment and Acceptance with respect to such assignment) shall in no event be less than $5,000,000 or an integral multiple of $1,000,000 in excess thereof and (y) the Unissued Letter of Credit Commitment of the assigning Lender being assigned pursuant to each such assignment (determined on the date of the Assignment and Acceptance with respect to such assignment) shall in no event be less than $1,000,000 or an integral thereof unless, in each case, the applicable Borrower and the Agent otherwise agree, (iii) each such assignment shall be to an Eligible Assignee, (iv) each such assignment made as a result of a demand by a Borrower pursuant to this Section 9.07(a) shall be arranged by such Borrower after consultation with the Agent and shall be either an assignment of all of the rights and obligations of the assigning Lender under this Agreement or an assignment of a portion of such rights and

obligations made concurrently with another such assignment or other such assignments that together cover all of the rights and obligations of the assigning Lender under this Agreement, (v) no Lender shall be obligated to make any such assignment as a result of a demand by a Borrower pursuant to this Section 9.07(a) unless and until such Lender shall have received one or more payments from either such Borrower or one or more Eligible Assignees in an aggregate amount at least equal to the aggregate outstanding principal amount of the Advances owing to such Lender, together with accrued interest thereon to the date of payment of such principal amount and all other amounts payable to such Lender under this Agreement, and (vi) the parties to each such assignment (other than the Borrower) shall execute and deliver to the Agent, for its acceptance and recording in the Register, an Assignment and Acceptance, together with any Revolving Credit Note subject to such assignment and a processing and recordation fee of $3,500 payable by the parties to each such assignment, provided, however, that in the case of each assignment made as a result of a demand

by a Borrower, such recordation fee shall be payable by such Borrower except that no such recordation fee shall be payable in the case of an assignment made at the request of a Borrower to an Eligible Assignee that is an existing Lender. Upon such execution, delivery, acceptance and recording, from and after the effective date specified in each Assignment and Acceptance, (x) the assignee thereunder shall be a party hereto and, to the extent that rights and obligations hereunder have been assigned to it pursuant to such Assignment and Acceptance, have the rights and obligations of a Lender hereunder and (y) the Lender assignor thereunder shall, to the extent that rights and obligations hereunder have been assigned by it pursuant to such Assignment and Acceptance, relinquish its rights (other than its rights under Sections 2.12, 2.15 and 9.04 to the extent any claim thereunder relates to an event arising prior to such assignment) and be released from its obligations under this Agreement other than its obligations under Section 9.08 (and, in the case of an Assignment and Acceptance covering all or the remaining portion of an assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto).

(b) By executing and delivering an Assignment and Acceptance, the Lender assignor thereunder and the assignee thereunder confirm to and agree with each other and the other parties hereto as follows: (i) other than as provided in such Assignment and Acceptance, such assigning Lender makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with this Agreement or the execution, legality, validity, enforceability, genuineness, sufficiency or value of, or the perfection or priority of any lien or security interest created or purported to be created under or in connection with, this Agreement or any other instrument or document furnished pursuant hereto; (ii) such assigning Lender makes no representation or warranty and assumes no responsibility with respect to the financial condition of the Borrowers or the performance or observance by the Borrowers of any of their obligations under this Agreement or any other instrument or document furnished pursuant hereto; (iii) such assignee confirms that it has received a copy of this Agreement, together with copies of the financial statements referred to in Section 4.01 and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into such Assignment and Acceptance; (iv) such assignee will, independently and without reliance upon the Agent, such assigning Lender or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement; (v) such assignee confirms that it is an Eligible Assignee; (vi) such assignee appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers and discretion under this Agreement as are delegated to the Agent by the terms hereof, together with such powers and discretion as are reasonably incidental thereto; and (vii) such assignee agrees that it will perform in accordance with their terms all of the obligations that by the terms of this Agreement are required to be performed by it as a Lender.

(c) Upon its receipt of an Assignment and Acceptance executed by an assigning Lender and an assignee representing that it is an Eligible Assignee, together with any Revolving Credit Note or Notes subject to such assignment, the Agent shall, if such Assignment and Acceptance has been completed and is in substantially the form of Exhibit C hereto, (i) accept such Assignment and Acceptance, (ii) record the information contained therein in the Register and (iii) give prompt notice thereof to each other Borrower.

(d) The Agent shall maintain at its address referred to in Section 9.02 a copy of each Assignment and Acceptance delivered to and accepted by it and a register for the recordation of the names and addresses of the Lenders and the Commitment of, and principal amount of the Advances owing to, each Lender from time to time (the "Register"). The entries in the Register shall be conclusive and binding for all purposes, absent manifest error, and the Borrowers, the Agent and the Lenders may treat each Person whose name is recorded in the

Register as a Lender hereunder for all purposes of this Agreement. The Register shall be available for inspection by the Borrowers or any Lender at any reasonable time and from time to time upon reasonable prior notice.

(e) Each Lender may sell participations to one or more banks or other entities (other than the Borrowers or any of its Affiliates) in or to all or a portion of its rights and obligations under this Agreement (including, without limitation, all or a portion of its Commitment, the Revolving Credit Advances owing to it and any Note or Notes held by it); provided, however, that (i) such Lender's obligations under this Agreement (including, without limitation, its Commitment(s) to the Borrowers hereunder) shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, (iii) such Lender shall remain the holder of any such Note for all purposes of this Agreement, (iv) the Borrowers, the Agent and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement and (v) no participant under any such participation shall have any right to approve any amendment or waiver of any provision of this Agreement or any Note, or any consent to any departure by the Borrowers therefrom, except to the extent that such amendment, waiver or consent would reduce the principal of, or interest on, the Notes or any fees or other amounts payable hereunder, in each case to the extent subject to such participation, or postpone any date fixed for any payment of principal of, or interest on, the Revolving Credit Advances or any fees or other amounts payable hereunder, in each case to the extent subject to such participation.

(f) Any Lender may, in connection with any assignment or participation or proposed assignment or participation pursuant to this Section 9.07, disclose to the assignee or participant or proposed assignee or participant, any information relating to the Company or any Borrower furnished to such Lender by or on behalf of the Company or such Borrower; provided that, prior to any such disclosure, the assignee or participant or proposed assignee or participant shall agree to preserve the confidentiality of any Confidential Information relating to the Company or any Borrower received by it from such Lender.

(g) Notwithstanding any other provision set forth in this Agreement, any Lender may at any time create a security interest in all or any portion of its rights under this Agreement (including, without limitation, the Advances owing to it and any Note or Notes held by it) in favor of any Federal Reserve Bank in accordance with Regulation A of the Board of Governors of the Federal Reserve System.

SECTION 9.08. Confidentiality. Neither the Agent nor any Lender may disclose to any Person any confidential, proprietary or non-public information of the Company furnished to the Agent or the Lenders by the Company (such information being referred to collectively herein as the "Confidential Information"), except that each of the Agent and each of the Lenders may disclose Confidential Information (i) to its and its affiliates' employees, officers, directors, agents and advisors (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Confidential Information and instructed to keep such Confidential Information confidential on substantially the same terms as provided herein), (ii) to the extent requested by any regulatory authority, (iii) to the extent required by applicable laws or regulations or by any subpoena or similar legal process, (iv) to any other party to this Agreement, (v) in connection with the exercise of any remedies hereunder or any suit, action or proceeding relating to this Agreement or the enforcement of rights hereunder, (vi) subject to an agreement containing provisions substantially the same as those of this Section 9.08, to any assignee or participant or prospective assignee or participant, (vii) to the extent such Confidential Information (A) is or becomes generally available to the public on a non-confidential basis other than as a result of a breach of this Section 9.08 by the Agent or such Lender, or (B) is or becomes available to the Agent or such Lender on a nonconfidential basis from a source other than the Company, (viii) to such Lender's direct or indirect contractual counterparties in swap, securitization or derivative transactions or to legal counsel, accountants and other professional advisors to such counterparties, in each case, on a confidential basis and (ix) with the consent of the Company. Notwithstanding anything herein to the contrary, the Company, the Agent and the Lenders may disclose to any and all Persons, without limitation of any kind, the U.S. tax treatment and tax structure of the transactions contemplated hereby and all materials of any kind (including opinions or other tax analyses) that are provided to the Company, the Agent or any Lender relating to such U.S. tax treatment and tax structure.

SECTION 9.09. Designated Subsidiaries. (a) Designation. The Company may at any time, and from time to time, by delivery to the Agent of a Borrower Designation Agreement duly executed by the Company and the respective Subsidiary and substantially in the form of Exhibit F hereto, designate such Subsidiary as a

"Designated Subsidiary" for purposes of this Agreement and such Subsidiary shall thereupon become a "Designated Subsidiary" for purposes of this Agreement and, as such, shall have all of the rights and obligations of a Borrower hereunder. The Agent shall promptly notify each Lender of each such designation by the Company and the identity of the respective Subsidiary.

(b) Termination. Upon the payment and performance in full of all of the indebtedness, liabilities and obligations under this Agreement of any Designated Subsidiary or any other Borrower (other than the Company) then, so long as at the time no Notice of Competitive Bid Borrowing, Notice of Revolving Credit Borrowing, Notice of Issuance or Letter of Credit in respect of such Designated Subsidiary is outstanding, such Subsidiary's status as a "Designated Subsidiary" or a "Borrower" shall terminate upon notice to such effect from the Agent to the Lenders (which notice the Agent shall give promptly, and only upon its receipt of a request therefor from the Company). Thereafter, the Lenders shall be under no further obligation to make any Advance or issue any Letter of Credit hereunder to such Designated Subsidiary or such Borrower.

SECTION 9.10. Governing Law. This Agreement and the Notes shall be governed by, and construed in accordance with, the laws of the State of New York.

SECTION 9.11. Execution in Counterparts. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Agreement by telecopier shall be effective as delivery of a manually executed counterpart of this Agreement.

SECTION 9.12. Judgment. (a) If for the purposes of obtaining judgment in any court it is necessary to convert a sum due hereunder in Dollars into another currency, the parties hereto agree, to the fullest extent that they may effectively do so, that the rate of exchange used shall be that at which in accordance with normal banking procedures the Agent could purchase Dollars with such other currency at Citibank's principal office in London at 11:00 A.M. (London time) on the Business Day preceding that on which final judgment is given.

(b) If for the purposes of obtaining judgment in any court it is necessary to convert a sum due hereunder in a Foreign Currency into Dollars, the parties agree to the fullest extent that they may effectively do so, that the rate of exchange used shall be that at which in accordance with normal banking procedures the Agent could purchase such Foreign Currency with Dollars at Citibank's principal office in London at 11:00 A.M. (London time) on the Business Day preceding that on which final judgment is given.

(c) The obligation of the Borrowers in respect of any sum due from it in any currency (the "Primary Currency") to any Lender or the Agent hereunder shall, notwithstanding any judgment in any other currency, be discharged only to the extent that on the Business Day following receipt by such Lender or the Agent (as the case may be), of any sum adjudged to be so due in such other currency, such Lender or the Agent (as the case may be) may in accordance with normal banking procedures purchase the applicable Primary Currency with such other currency; if the amount of the applicable Primary Currency so purchased is less than such sum due to such Lender or the Agent (as the case may be) in the applicable Primary Currency, each Borrower agrees, as a separate obligation and notwithstanding any such judgment, to indemnify such Lender or the Agent (as the case may be) against such loss, and if the amount of the applicable Primary Currency so purchased exceeds such sum due to any Lender or the Agent (as the case may be) in the applicable Primary Currency, such Lender or the Agent (as the case may be) agrees to remit to the applicable Borrower such excess.

SECTION 9.13. Jurisdiction, Etc. (a) Each of the parties hereto hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of any New York State court or federal court of the United States of America sitting in New York City, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement or the Notes, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in any such New York State court or, to the extent permitted by law, in such federal court. Each Borrower hereby agrees that service of process in any such action or proceeding brought in the any such New York State court or in such federal court may be made upon the Company at its offices specified in Section 9.02(a) and each Borrower hereby irrevocably appoints the Company its

authorized agent to accept such service of process, and agrees that the failure of the Company to give any notice of any such service shall not impair or affect the validity of such service or of any judgment rendered in any action or proceeding based thereon. Each Borrower hereby further irrevocably consents to the service of process in any action or proceeding in such courts by the mailing thereof by any parties hereto by registered or certified mail, postage prepaid, to such Borrower at its address specified pursuant to Section 9.02(a). Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement shall affect any right that any party may otherwise have to bring any action or proceeding relating to this Agreement or the Notes in the courts of any jurisdiction. To the extent that any Borrower or any Designated Subsidiary has or hereafter may acquire any immunity from jurisdiction of any court or from any legal process (whether through service or notice, attachment prior to judgment, attachment in aid of execution, execution or otherwise) with respect to itself or its property, each Borrower and each Designated Subsidiary hereby irrevocably waives such immunity in respect of its obligations under this Agreement.

(b) Each of the parties hereto irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection that it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement or any other Loan Document in any New York State or federal court. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

SECTION 9.14. Substitution of Currency. If a change in any Foreign Currency occurs pursuant to any applicable law, rule or regulation of any governmental, monetary or multi-national authority, this Agreement (including, without limitation, the definitions of Eurocurrency Rate and LIBO Rate) will be amended to the extent determined by the Agent (acting reasonably and in consultation with the Company) to be necessary to reflect the change in currency and to put the Lenders and the Borrowers in the same position, so far as possible, that they would have been in if no change in such Foreign Currency had occurred.

SECTION 9.15. No Liability of the Issuing Banks. None of the Agent, the Lenders nor any Issuing Bank, nor any of their Affiliates, or the respective directors, officers, employees, agents and advisors of such Person or such Affiliate, shall have any liability or responsibility by reason of or in connection with the issuance or transfer of any Letter of Credit or any payment or failure to make any payment thereunder, or any error, omission, interruption, loss or delay in transmission or delivery of any draft, notice or other communication under or relating to any Letter of Credit (including any document required to make a drawing thereunder), any error in interpretation of technical terms or any consequence arising from causes beyond the control of the applicable Issuing Bank; provided that the foregoing shall not be construed to excuse any Issuing Bank from liability to the applicable Borrower to the extent of any direct damages (as opposed to consequential damages, claims in respect of which are hereby waived by the Borrowers to the extent permitted by applicable law) suffered by such Borrower that are caused by such Issuing Bank's failure to exercise care when determining whether drafts and other documents presented under a Letter of Credit comply with the terms thereof or any failure to honor a Letter of Credit where such Issuing Bank is, under applicable law, required to honor it. The parties hereto expressly agree that, as long as the Issuing Bank has not acted with gross negligence or willful misconduct, such Issuing Bank shall be deemed to have exercised care in each such determination. In furtherance of the foregoing and without limiting the generality thereof, the parties agree that, with respect to documents presented which appear on their face to be in substantial compliance with the terms of a Letter of Credit, an Issuing Bank may, in its sole discretion, either accept and make payment upon such documents without responsibility for further investigation or refuse to accept and make payment upon such documents if such documents are not in strict compliance with the terms of such Letter of Credit.

SECTION 9.16. Patriot Act. Each Lender and the Agent (for itself and not on behalf of any Lender) hereby notifies the Loan Parties that pursuant to the requirements of the USA Patriot Act (Title III of Pub.L. 107-56 (signed into law October 26, 2001)) (the "Patriot Act"), it is required to obtain, verify and record information that identifies each Loan Party, which information includes the name and address of such Loan Party and other information that will allow such Lender or the Agent, as applicable, to identify such Loan Party in accordance with the Patriot Act. The Company and each other Borrower shall, and shall cause each of their Subsidiaries to, provide, to the extent commercially reasonable, such information and take such actions as are reasonably requested by the Agent or any Lender in order to assist the Agent and such Lender in maintaining compliance with the Patriot Act.

SECTION 9.17. Waiver of Jury Trial. Each of the Borrowers, the Agent and the Lenders hereby irrevocably waives all right to trial by jury in any action, proceeding or counterclaim (whether based on contract, tort or otherwise) arising out of or relating to this Agreement or the Notes or the actions of the Agent or any Lender in the negotiation, administration, performance or enforcement thereof.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective officers thereunto duly authorized, as of the date first above written.

SEALED AIR CORPORATION

By /s/ David H. Kelsey
Name: David H. Kelsey
Title: VP & CFO

SEALED AIR CORPORATION (US)

By /s/ David H. Kelsey
Name: David H. Kelsey
Title: VP & CFO

CRYOVAC, INC.

By /s/ David H. Kelsey
Name: David H. Kelsey
Title: VP & CFO

SEALED AIR LUXEMBOURG S.C.A.

By /s/ H. Katherine White
Name: H. Katherine White
Title: Managing Director

CITIBANK, N.A.,
as Agent

By /s/ Hugo Arias
Name: Hugo Arias
Title: VP

Letter of Credit Commitment

$25,000,000 CITIBANK, N.A.

By: /s/ Hugo Arias
Name: Hugo Arias
Title: VP

$25,000,000 Total of the Letter of Credit Commitments

Initial Lenders

Revolving Credit Commitment

$35,000,000 CITIBANK, N.A.

By: /s/ Hugo Arias
Name: Hugo Arias
Title: VP

Syndication Agent

$35,000,000 BANK OF AMERICA, N.A.

By /s/ Wendy J. Gorman
Name: Wendy J. Gorman
Title: Managing Director

Co-Documentation Agents

$30,000,000 ABN AMRO BANK N.V.

By /s/ Eric Oppenheimer
Name: Eric Oppenheimer
Title: VP

By /s/ Michele R. Costello
Name: Michele R. Costello
Title: Asst. VP

$30,000,000 BNP PARIBAS

By /s/ Nanette Baudon
Name: VP
Title:

By /s/ Simone Vinocour McKeever
Name: Simone Vinocour McKeever
Title: VP

$30,000,000 CREDIT LYONNAIS NEW YORK BRANCH

By /s/ James Gibson
Name: James Gibson
Title: Sr. VP

Co-Agents

$22,000,000 BANK OF TOKYO-MITSUBISHI TRUST COMPANY

By /s/ Spencer Hughes
Name: Spencer Hughes
Title: VP

$22,000,000 CREDIT SUISSE FIRST BOSTON

By /s/ Karl Studer
Name: Karl Studer
Title: Director

$22,000,000 FLEET NATIONAL BANK

By /s/ Marwan Isbiah
Name: Marwan Isbiah
Title: Director

$22,000,000 MORGAN STANLEY BANK

By /s/ Jaap L. Tonckens
Name: Jaap L. Tonckens
Title: VP

$22,000,000 SUMITOMO MITSUI BANKING CORPORATION

By /s/ Peter R. C. Knight
Name: Peter R. C. Knight
Title: Joint General Manager

Lenders

$10,000,000 ALLIED IRISH BANK

By /s/ Jim Denvemy
Name: Jim Denvemy
Title: Executive VP

$10,000,000 BANCO BILBAO VIZCAYA ARGTENTARIA, S.A.

By /s/ Jay Devit
Name: Jay Devit
Title: VP

By /s/ Salustiano Machado
Name: Salustiano Machado
Title: VP

$10,000,000 JPMORGAN CHASE BANK

By /s/ Peter S. Predun
Name: Peter S. Predun
Title: VP

$10,000,000 MIZUHO CORPORATE BANK LTD.

By /s/ Greg Botshon
Name: Greg Botshon
Title: VP

$10,000,000 NATIONAL CITY BANK

By /s/ Tara M. Mandforth
Name: Tata M. Mandforth
Title: VP

$10,000,000 COOPERATIEVE CENTRALE RAIFFEISEN-BOERENLEENBANK B.A., "RABOBANK INTERNATIONAL", NEW YORK BRANCH

By /s/ Michalene Donegan
Name: Michalene Donegan
Title: VP

By /s/ Brett Delfino
Name: Brett Delfino
Title: Executive Director

$10,000,000 SAN PAOLO IMI SPA

By /s/ Renato Carducci
Name: Renato Carducci
Title: General Manager

$10,000,000 SUNTRUST BANK

By /s/ Frank A. Coe

Name: Frank A. Coe
Title: VP

$350,000,000 Total of the Revolving Credit Commitments

SCHEDULE I
SEALED AIR CORPORATION
THREE YEAR CREDIT AGREEMENT
APPLICABLE LENDING OFFICES

Name of Initial Lender	Domestic Lending Office	Eurocurrency Lending Office
ABN AMRO Bank N.V.	208 South LaSalle Street Suite 1500 Chicago, IL 60604 Attn: Credit Administration T: 312 992-51521 F: 312 992-5157	208 South LaSalle Street Suite 1500 Chicago, IL 60604 Attn: Credit Administration T: 312 992-51521 F: 312 992-5157
Allied Irish Bank Banco Bilboa Vizcaya Argentaria, S.A.	1345 Avenue of the Americas 45th Floor New York, NY 10105 Attn: Miguel Lara T: 212 728-1664 F: 212 333-2904	1345 Avenue of the Americas 45th Floor New York, NY 10105 Attn: Miguel Lara T: 212 728-1664 F: 212 333-2904
Bank of America, N.A.	1850 Gateway Blvd. CA4-906-05-11 Concord, CA 94520 Attn: Curtis Loney T: 925 675-8398 F: 888 969-9252	1850 Gateway Blvd. CA4-906-05-11 Concord, CA 94520 Attn: Curtis Loney T: 925 675-8398 F: 888 969-9252
Bank of Tokyo-Mitsubishi Trust Company	c/o Bank of Tokyo-Mitsubishi Trust Company 1251 Avenue of the Americas 12th Floor New York, NY 10020 Attn: Rolando Uy T: 201 413-8570 F: 201 521-2304	c/o Bank of Tokyo-Mitsubishi Trust Company 1251 Avenue of the Americas 12th Floor New York, NY 10020 Attn: Rolando Uy T: 201 413-8570 F: 201 521-2304
BNP Paribas	919 Third Avenue, 3rd Floor New York, NY 10022 Attn: Daphne Coates T: 212 471-6628 F: 212 471-6695	919 Third Avenue, 3rd Floor New York, NY 10022 Attn: Daphne Coates T: 212 471-6628 F: 212 471-6695
Citibank, N.A.	Two Penns Way New Castle, DE 19720 Attn: Paul Joseph T: 302 894-6016 F: 212 994-0961	Two Penns Way New Castle, DE 19720 Attn: Paul Joseph T: 302 894-6016 F: 212 994-0961
Credit Lyonnais New York Branch Credit Suisse First Boston Fleet National Bank	100 Federal Street Mailstop: MA-DE-10010A Boston, MA 02110 Attn: Rocco Cammarata T: 612 434-9725 F: 612 434-0800	100 Federal Street Mailstop: MA-DE-10010A Boston, MA 02110 Attn: Rocco Cammarata T: 612 434-9725 F: 612 434-0800
JPMorgan Chase Bank	1111 Fannin Street, 10th Floor Houston, TX 77002 Attn: Sheila King T: 713 750-2242 F: 713 750-2782	1111 Fannin Street, 10th Floor Houston, TX 77002 Attn: Sheila King T: 713 750-2242 F: 713 750-2782
Mizuho Corporate Bank Ltd.	1251 Avenue of the Americas New York, NY 10020 T: 212 282-3000 F: 212 282-4250	1251 Avenue of the Americas New York, NY 10020 T: 212 282-3000 F: 212 282-4250
Morgan Stanley Bank	2500 Lake Park Blvd., Suite 300 C West Valley City, UT 84120 Attn: Larry Benison/Min Jo T: 212 537-1439/1381 F: 212 537-1867/1866	2500 Lake Park Blvd., Suite 300 C West Valley City, UT 84120 Attn: Larry Benison/Min Jo T: 212 537-1439/1381 F: 212 537-1867/1866
National City Bank Cooperatieve Centrale Raiffeisen-Boerenleenbank B.A., "Rabobank International", New York Branch	10 Exchange Place Jersey City, NJ Attn: Clemencia Stewart T: 201 499-5245 F: 201 499-5326	10 Exchange Place Jersey City, NJ Attn: Clemencia Stewart T: 201 499-5245 F: 201 499-5326
San Paolo IMI Spa Sumitomo Mitsui Banking Corporation	277 Park Avenue New York, NY 10172 Attn: Edward McColly T: 212 224-4139 F: 212 224-4384	277 Park Avenue New York, NY 10172 Attn: Edward McColly T: 212 224-4139 F: 212 224-4384
SunTrust Bank	303 Peachtree Street NE Mail Code 1941 Atlanta, GA 30308 Attn: Chantay Spralding T: 404 813-5026 F: 404 575-2730	303 Peachtree Street NE Mail Code 1941 Atlanta, GA 30308 Attn: Chantay Spralding T: 404 813-5026 F: 404 575-2730

Domestic Material Subsidiaries/Subsidiary Guarantors:

Sealed Air Corporation (US)
Cryovac, Inc.

Foreign Material Subsidiaries:

Sealed Air Luxembourg SCA
Sealed Air Holdings B.V.
Ciras CV
Sealed Air Luxembourg (I) Sarl
Sealed Air Luxembourg (Holdings) Sarl
Swiss Finance Branch
Sealed Air Luxembourg (II) Sarl
Sealed Air Spain (Holdings) S.L.
Sealed Air B.V. (Holland)
Sealed Air Australia (Holdings) Pty. Limited
Sealed Air Limited
Sealed Air Funding Corporation
Sealed Air S.A.S. (France)
Sealed Air Management Holding GmbH & Co. KG
Sealed Air Italy Srl
Cryovac Australia Pty. Limited
Sealed Air GmbH
Sealed Air Srl
Sealed Air Netherlands (Holdings) I B.V.
Sealed Air Finance Ireland
Sealed Air (New Zealand)
Sealed Air (Canada) Co./Cie
Sealed Air de Mexico, S.A. DE C.V

SCHEDULE 5.02(B)(ii)
EXISTING SUBSIDIARY INDEBTEDNESS

Sealed Air Corporation
Indebtedness of Material Subsidiaries &
Liens securing Indebtedness of Sealed Air Corporation and Material Subsidiaries
(000's)

DEBTOR	TYPE OF CREDIT	CURRENCY UNIT	AVAILABLE LINES OF CREDIT	TOTAL LONG-TERM DEBT	SUPPORTED BY LIENS?	LOCATION OF LIEN	
Sealed Air Corporation (US)							
	Bank Loan	USD	—	30	YES	Salem, IL	
Cryovac, Inc.							
	Lease	USD	—	28,000	YES	Rogers, AR	(a)
	Lease	USD	—	—	YES	St. Joseph, MO	(b)
Sealed Air B.V. (Holland)							
	Line of Credit	EUR	2,723	—	NO		
Sealed Air Limited							
	Line of Credit	GBP	9,000	—	NO		
	Loan Notes	GBP	—	200	NO		
Sealed Air S.A.S. (France)							
	Lease	EUR	—	1,598	NO		
	Overdraft Facilities	EUR	28,000	—	NO		
Cryovac Australia Pty. Limited							
	Dual Currency Revolving Facility	AUD	105,116	39,000	NO		(c), (d)
	Loan	AUD	—	817	NO		
	Overdraft Facility	AUD	4,000	—	NO		
Sealed Air GmbH							
	Lines of Credit	EUR	9,000	—	NO		
Sealed Air Srl							
	Overdraft Facilities	EUR	13,105	—	NO		
	Bank Loans	EUR	—	933	NO		
Sealed Air Finance Ireland							
	Overdraft Facility		17,400	—	NO		
Sealed Air (New Zealand)							
	Dual Currency Revolving Facility	NZD	80,000	36,000	NO		(c), (d)
	Overdraft Facilities	NZD	4,548	—	NO		
Sealed Air (Canada) Co./Cie							
	Line of Credit	CAD	8,000	—	NO		
Sealed Air Packaging, SL							
	Line of Credit	EUR	2,000	—	NO		
Sealed Air de Mexico, S.A. DE C.V							
	Lines of Credit	MXN	225,000	—	NO		
Sealed Air S.L.							
	Line of Credit	EUR	1,200	—	NO		
Cryovac Brasil Ltda							
	Lines of Credit	BRL	84,947	—	NO		
Sealed Air Packaging Srl							
	Lines of Credit	EUR	7,032	—	NO		
	Lease	EUR	—	39	NO		

Sealed Air Corporation							
	6.95% Sr. Notes Due 05/15/09	USD	—	300,000	NO		(c), (e)
	8.75% Sr. Notes Due 07/01/08	USD	—	300,000	NO		(c), (e)
	5.375% Sr. Notes Due 04/15/08	USD	—	300,000	NO		(c), (e)
	5.625% Sr. Notes Due 07/15/13	USD	—	400,000	NO		(c), (e)
	6.875% Sr. Notes Due 07/15/33	USD	—	450,000	NO		(c), (e)
	Convertible Sr. Notes 3.00% Due 6/30/33	USD	—	431,250	NO		(c), (e)
Sealed Air Finance LLC							
	5.625% EURO Notes Due 07/19/06	EUR	—	200,000	NO		(c)

(a) This equipment lease agreement was finalized in November 2003 for amounts up to $28 million; to date no amounts are outstanding.
(b) Represents an equipment lease between City of St. Joseph, Missouri and Cryovac, Inc. in the amount of $13.7 million.
(c) Upon the effective date of the Credit Agreement, obligations will be guaranteed by each of the Domestic Subsidiaries that guarantees obligations under the Credit Agreement, but only for so long as such subsidiaries are Subsidiary Guarantors under the Credit Agreement.
(d) Amounts available under the Dual Currency Revolving Facility total AUD 175 million, of which AUD 39 million and NZD 36 million were drawn at September 30, 2003.
(e) Primary obligor is the Company.

EXHIBIT A-1 - FORM OF
REVOLVING CREDIT
PROMISSORY NOTE

U.S.$ Dated: , 200

FOR VALUE RECEIVED, the undersigned, [NAME OF BORROWER], a corporation (the "Borrower"), HEREBY PROMISES TO PAY to the order of (the "Lender") for the account of its Applicable Lending Office on the Termination Date (each as defined in the Credit Agreement referred to below) the principal sum of U.S.$[amount of the Lender's Commitment in figures] or, if less, the aggregate principal amount of the Revolving Credit Advances and Swing Line Advances made by the Lender to the Borrower pursuant to the Three Year Credit Agreement dated as of December 19, 2003 among the Borrower, [Sealed Air Corporation], the other borrowers parties thereto, the Lender and certain other lenders parties thereto, and Citibank, N.A. as Agent for the Lender and such other lenders (as amended or modified from time to time, the "Credit Agreement"; the terms defined therein being used herein as therein defined) outstanding on the Termination Date.

The Borrower promises to pay interest on the unpaid principal amount of each Revolving Credit Advance and Swing Line Advance from the date of such Advance until such principal amount is paid in full, at such interest rates, and payable at such times, as are specified in the Credit Agreement.

Both principal and interest in respect of each Revolving Credit Advance (i) in Dollars are payable in lawful money of the United States of America to the Agent at its account maintained at 388 Greenwich Street, New York, New York 10013, in same day funds and (ii) in any Committed Currency are payable in such currency at the applicable Payment Office in same day funds. Both principal and interest of each Swing Line Advance are payable in lawful money of the United States of America to the Agent at its account maintained at 388 Greenwich Street, New York, New York 10013. Each Revolving Credit Advance and each Swing Line Advance owing to the Lender by the Borrower pursuant to the Credit Agreement, and all payments made on account of principal thereof, shall be recorded by the Lender and, prior to any transfer hereof, endorsed on the grid attached hereto which is part of this Promissory Note.

This Promissory Note is one of the Revolving Credit Notes referred to in, and is entitled to the benefits of, the Credit Agreement. The Credit Agreement, among other things, (i) provides for the making of Revolving Credit Advances and Swing Line Advances by the Lender to the Borrower from time to time in an aggregate amount not to exceed at any time outstanding the U.S. dollar amount first above mentioned, the indebtedness of the Borrower resulting from each such Revolving Credit Advance and each such Swing Line Advance being evidenced by this Promissory Note, (ii) contains provisions for determining the Dollar Equivalent of Revolving Credit Advances denominated in Committed Currencies and (iii) contains provisions for acceleration of the maturity hereof upon the happening of certain stated events and also for prepayments on account of principal hereof prior to the maturity hereof upon the terms and conditions therein specified.

[NAME OF BORROWER]

By _____
Title:

ADVANCES AND PAYMENTS OF PRINCIPAL

Date	Amount of Advance	Amount of Principal Paid or Prepaid	Unpaid Principal Balance	Notation Made By

EXHIBIT A-2 - FORM OF
COMPETITIVE BID
PROMISSORY NOTE

U.S.$ Dated: , 200

FOR VALUE RECEIVED, the undersigned, [NAME OF BORROWER], a corporation (the "Borrower"), HEREBY PROMISES TO PAY to the order of (the "Lender") for the account of its Applicable Lending Office (as defined in the Three Year Credit Agreement dated as of December 19, 2003 among the Borrower, [Sealed Air Corporation], the other borrowers parties thereto, the Lender and certain other lenders parties thereto, and Citibank, N.A., as Agent for the Lender and such other lenders (as amended or modified from time to time, the "Credit Agreement"; the terms defined therein being used herein as therein defined)), on , 200 , the principal amount of [U.S.$] [for a Competitive Bid Advance in a Foreign Currency, list currency and amount of such Advance].

The Borrower promises to pay interest on the unpaid principal amount hereof from the date hereof until such principal amount is paid in full, at the interest rate and payable on the interest payment date or dates provided below:

Interest Rate: % per annum (calculated on the basis of a year of days for the actual number of days elapsed).

Both principal and interest are payable in lawful money of to Citibank, as agent, for the account of the Lender at the office of Citibank, at in same day funds.

This Promissory Note is one of the Competitive Bid Notes referred to in, and is entitled to the benefits of, the Credit Agreement. The Credit Agreement, among other things, contains provisions for acceleration of the maturity hereof upon the happening of certain stated events.

The Borrower hereby waives presentment, demand, protest and notice of any kind. No failure to exercise, and no delay in exercising, any rights hereunder on the part of the holder hereof shall operate as a waiver of such rights.

This Promissory Note shall be governed by, and construed in accordance with, the laws of the State of New York.

[NAME OF BORROWER]

By _____
Title:

EXHIBIT B-1 - FORM OF NOTICE OF
REVOLVING CREDIT BORROWING

Citibank, N.A., as Agent
for the Lenders parties
to the Credit Agreement
referred to below
Two Penns Way
New Castle, Delaware 19720

[Date]

Attention: Bank Loan Syndications Department

Ladies and Gentlemen:

The undersigned, [Name of Borrower], refers to the Three Year Credit Agreement, dated as of December 19, 2003 (as amended or modified from time to time, the "Credit Agreement", the terms defined therein being used herein as therein defined), among the undersigned, [Sealed Air Corporation], certain other borrowers parties thereto, certain Lenders parties thereto and Citibank, N.A., as Agent for said Lenders, and hereby gives you notice, irrevocably, pursuant to Section 2.02 of the Credit Agreement that the undersigned hereby requests a Revolving Credit Borrowing under the Credit Agreement, and in that connection sets forth below the information relating to such Revolving Credit Borrowing (the "Proposed Revolving Credit Borrowing") as required by Section 2.02(a) of the Credit Agreement:

(i) The Business Day of the Proposed Revolving Credit Borrowing is , 200 .

(ii) The Type of Advances comprising the Proposed Revolving Credit Borrowing is [Base Rate Advances] [Eurocurrency Rate Advances].

(iii) The aggregate amount of the Proposed Revolving Credit Borrowing is $][for a Revolving Credit Borrowing in a Committed Currency, list currency and amount of Revolving Credit Borrowing].

[(iv) The initial Interest Period for each Eurocurrency Rate Advance made as part of the Proposed Revolving Credit Borrowing is month[s].]

The undersigned hereby certifies that the following statements are true on the date hereof, and will be true on the date of the Proposed Revolving Credit Borrowing:

(A) the representations and warranties contained in Section 4.01 of the Credit Agreement are correct, before and after giving effect to the Proposed Revolving Credit Borrowing and to the application of the proceeds therefrom, as though made on and as of such date; and

---

(B) no event has occurred and is continuing, or would result from such Proposed Revolving Credit Borrowing or from the application of the proceeds therefrom, that constitutes a Default or that constitutes or would, with the passage of time, constitute a Put Event.

Very truly yours,

[NAME OF BORROWER]

By _____
Title:

EXHIBIT B-2 - FORM OF NOTICE OF COMPETITIVE BID BORROWING

Citibank, N.A., as Agent
for the Lenders parties
to the Credit Agreement
referred to below
Two Penns Way
New Castle, Delaware 19720

[Date]

Attention: Bank Loan Syndications Department

Ladies and Gentlemen:

The undersigned, [Name of Borrower], refers to the Three Year Credit Agreement, dated as of December 19, 2003 (as amended or modified from time to time, the "Credit Agreement", the terms defined therein being used herein as therein defined), among the undersigned, [Sealed Air Corporation], certain other borrowers parties thereto, certain Lenders parties thereto and Citibank, N.A., as Agent for said Lenders, and hereby gives you notice, irrevocably, pursuant to Section 2.03 of the Credit Agreement that the undersigned hereby requests a Competitive Bid Borrowing under the Credit Agreement, and in that connection sets forth the terms on which such Competitive Bid Borrowing (the "Proposed Competitive Bid Borrowing") is requested to be made:

(A) Date of Competitive Bid Borrowing
(B) Amount of Competitive Bid Borrowing
(C) [Maturity Date] [Interest Period]
(D) Interest Rate Basis
(E) Day Count Convention
(F) Interest Payment Date(s)
(G) Currency
(H) Borrower's Account Location
(I)

The undersigned hereby certifies that the following statements are true on the date hereof, and will be true on the date of the Proposed Competitive Bid Borrowing:

(a) the representations and warranties contained in Section 4.01 are correct, before and after giving effect to the Proposed Competitive Bid Borrowing and to the application of the proceeds therefrom, as though made on and as of such date;

(b) no event has occurred and is continuing, or would result from the Proposed Competitive Bid Borrowing or from the application of the proceeds therefrom, that constitutes a Default or that constitutes or would, with the passage of time, constitute a Put Event;

(c) no event has occurred and no circumstance exists as a result of which the information concerning the undersigned that has been provided to the Agent and each Lender by the undersigned in connection with the Credit Agreement would include an untrue statement of a material fact or omit to state any material fact or any fact necessary to make the statements contained therein, in the light of the circumstances under which they were made, not misleading; and

---

(d) the aggregate amount of the Proposed Competitive Bid Borrowing and all other Borrowings to be made on the same day under the Credit Agreement is within the aggregate amount of the unused Commitments of the Lenders.

The undersigned hereby confirms that the Proposed Competitive Bid Borrowing is to be made available to it in accordance with Section 2.03(a)(v) of the Credit Agreement.

Very truly yours,

[NAME OF BORROWER]

By _____
Title:

EXHIBIT C - FORM OF ASSIGNMENT AND ACCEPTANCE

Reference is made to the Three Year Credit Agreement dated as of December 19, 2003 (as amended or modified from time to time, the "Credit Agreement") among Sealed Air Corporation, a Delaware corporation (the "Company"), certain other Borrowers (as defined in the Credit Agreement), the Lenders (as defined in the Credit Agreement) and Citibank, N.A., as agent for the Lenders (the "Agent"). Terms defined in the Credit Agreement are used herein with the same meaning.

The "Assignor" and the "Assignee" referred to on Schedule 1 hereto agree as follows:

1. The Assignor hereby sells and assigns to the Assignee, and the Assignee hereby purchases and assumes from the Assignor, an interest in and to the Assignor's rights and obligations under the Credit Agreement as of the date hereof (other than in respect of Competitive Bid Advances and Competitive Bid Notes) equal to the percentage interest specified on Schedule 1 hereto of all outstanding rights and obligations under the Credit Agreement (other than in respect of Competitive Bid Advances and Competitive Bid Notes) together with participations in Letters of Credit held by the Assignor on the date hereof. After giving effect to such sale and assignment, the Assignee's Commitment(s) and the amount of the Revolving Credit Advances owing to the Assignee will be as set forth on Schedule 1 hereto.

2. The Assignor (i) represents and warrants that it is the legal and beneficial owner of the interest being assigned by it hereunder and that such interest is free and clear of any adverse claim; (ii) makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with the Credit Agreement or the execution, legality, validity, enforceability, genuineness, sufficiency or value of, or the perfection or priority of any lien or security interest created or purported to be created under or in connection with, the Credit Agreement or any other instrument or document furnished pursuant thereto; (iii) makes no representation or warranty and assumes no responsibility with respect to the financial condition of the Borrowers or the performance or observance by the Borrowers of any of their obligations under the Credit Agreement or any other instrument or document furnished pursuant thereto; and (iv) attaches the Revolving Credit Note[, if any,] held by the Assignor [and requests that the Agent exchange such Revolving Credit Note for a new Revolving Credit Note payable to the order of [the Assignee in an amount equal to the Commitment assumed by the Assignee pursuant hereto or new Revolving Credit Notes payable to the order of the Assignee in an amount equal to the Commitment assumed by the Assignee pursuant hereto and] the Assignor in an amount equal to the Commitment retained by the Assignor under the Credit Agreement[, respectively,] as specified on Schedule 1 hereto].

3. The Assignee (i) confirms that it has received a copy of the Credit Agreement, together with copies of the financial statements referred to in Section 4.01 thereof and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and Acceptance; (ii) agrees that it will, independently and without reliance upon the Agent, the Assignor or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Credit Agreement; (iii) confirms that it is an Eligible Assignee; (iv) appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers and discretion under the Credit Agreement as are delegated to the Agent by the terms thereof, together with such powers and discretion as are reasonably incidental thereto; (v) agrees that it will perform in accordance with their terms all of the obligations that by the terms of the Credit Agreement are required to be performed by it as a Lender; and (vi) attaches any U.S. Internal Revenue Service forms required under Section 2.15 of the Credit Agreement.

4. Following the execution of this Assignment and Acceptance, it will be delivered to the Agent for acceptance and recording by the Agent. The effective date for this Assignment and Acceptance (the "Effective Date") shall be the date of acceptance hereof by the Agent, unless otherwise specified on Schedule 1 hereto.

5. Upon such acceptance and recording by the Agent, as of the Effective Date, (i) the Assignee shall be a party to the Credit Agreement and, to the extent provided in this Assignment and Acceptance, have the rights and obligations of a Lender thereunder and (ii) the Assignor shall, to the extent provided in this Assignment and Acceptance, relinquish its rights and be released from its obligations under the Credit Agreement (other than its obligations under Section 9.08 thereof).

6. Upon such acceptance and recording by the Agent, from and after the Effective Date, the Agent shall make all payments under the Credit Agreement and the Revolving Credit Notes in respect of the interest assigned hereby (including, without limitation, all payments of principal, interest and facility fees with respect thereto) to the Assignee. The Assignor and Assignee shall make all appropriate adjustments in payments under the Credit Agreement and the Revolving Credit Notes for periods prior to the Effective Date directly between themselves.

7. This Assignment and Acceptance shall be governed by, and construed in accordance with, the laws of the State of New York.

8. This Assignment and Acceptance may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of Schedule 1 to this Assignment and Acceptance by telecopier shall be effective as delivery of a manually executed counterpart of this Assignment and Acceptance.

IN WITNESS WHEREOF, the Assignor and the Assignee have caused Schedule 1 to this Assignment and Acceptance to be executed by their officers thereunto duly authorized as of the date specified thereon.

Schedule 1
to
Assignment and Acceptance

Percentage interest assigned:	%
Assignee's Revolving Credit Commitment:	$
Assignee's Letter of Credit Commitment:	$
Aggregate outstanding principal amount of Revolving Credit Advances assigned:	$
Principal amount of Revolving Credit Note payable to Assignee:	$
Principal amount of Revolving Credit Note payable to Assignor:	$

Effective Date*: , 200

[NAME OF ASSIGNOR], as Assignor

By _____
Title:

Dated: _____, 200 ____

[NAME OF ASSIGNEE], as Assignee

By _____
Title:

Dated: _____, 200 ____

Domestic Lending Office:
[Address]

Eurocurrency Lending Office:
[Address]

* This date should be no earlier than five Business Days after the delivery of this Assignment and Acceptance to the Agent.

Accepted [and Approved]** this
day of , 200

CITIBANK, N.A., as Agent

By _____
Title:

[Approved this day
of _____, 200 __

SEALED AIR CORPORATION

By _____]*
Title:

[Approved this day
of _____, 200 __

[NAME OF ISSUING BANK]

By _____]*
Title:

** Required if the Assignee is an Eligible Assignee solely by reason of clause (iii) of the definition of "Eligible Assignee".

* Required if the Assignee is an Eligible Assignee solely by reason of clause (iii) of the definition of "Eligible Assignee".

* Required if the Assignee is an Eligible Assignee solely by reason of clause (iii) of the definition of "Eligible Assignee".

EXHIBIT D

FORM OF SUBSIDIARY GUARANTY

Dated as of December __, 2003

From

THE GUARANTORS NAMED HEREIN

and

THE ADDITIONAL GUARANTORS REFERRED TO HEREIN

as Guarantors

in favor of

THE GUARANTEED PARTIES REFERRED TO HEREIN

TABLE OF CONTENTS

SUBSIDIARY GUARANTY

SUBSIDIARY GUARANTY dated as of December __, 2003 made by the Persons listed on the signature pages hereof under the caption "Subsidiary Guarantors" and the Additional Guarantors (as defined in Section 8(b)) (such Persons so listed and the Additional Guarantors being, collectively, the "Guarantors" and, individually, each a "Guarantor") in favor of the Agent and the Lenders (as defined in the Credit Agreement referred to below).

PRELIMINARY STATEMENT. Sealed Air Corporation, a Delaware corporation (the "Company"), and certain other Borrowers (as defined in the Credit Agreement referred to below) are parties to a Credit Agreement dated as of December __, 2003 (as amended, amended and restated, supplemented or otherwise modified from time to time, the "Credit Agreement"; the capitalized terms defined therein and not otherwise defined herein being used herein as therein defined) with certain Lenders party thereto, and Citibank, N.A., as Agent for such Lenders (the Agent and the Lenders are, collectively, the "Guaranteed Parties"). Each Guarantor may receive, directly or indirectly, a portion of the proceeds of the Advances under the Credit Agreement and will derive substantial direct and indirect benefits from the transactions contemplated by the Credit Agreement. It is a condition precedent to the making of Advances and the issuance of Letters of Credit by the Lenders under the Credit Agreement from time to time that each Guarantor shall have executed and delivered this Guaranty.

NOW, THEREFORE, in consideration of the premises and in order to induce the Lenders to make Advances and to issue Letters of Credit under the Credit Agreement from time to time, each Guarantor, jointly and severally with each other Guarantor, hereby agrees as follows:

Section 1. Guaranty; Limitation of Liability. (a) Each Guarantor hereby absolutely, unconditionally and irrevocably guarantees the punctual payment when due, whether at scheduled maturity or on any date of a required prepayment or by acceleration, demand or otherwise, of all obligations of each other Loan Party now or hereafter existing under or in respect of the Loan Documents (including, without limitation, any extensions, modifications, substitutions, amendments or renewals of any or all of the foregoing obligations), whether direct or indirect, absolute or contingent, and whether for principal, interest, premiums, fees, indemnities, contract causes of action, costs, expenses or otherwise (such obligations being the "Guaranteed Obligations"), and agrees to pay any and all expenses (including, without limitation, fees and expenses of counsel) incurred by the Agent or any other Guaranteed Party in enforcing any rights under this Guaranty or any other Loan Document. Without limiting the generality of the foregoing, each Guarantor's liability shall extend to all amounts that constitute part of the Guaranteed Obligations and would be owed by any other Loan Party to any Guaranteed Party under or in respect of the Loan Documents but for the fact that they are unenforceable or not allowable due to the existence of a bankruptcy, reorganization or similar proceeding involving such other Loan Party.

(b) Each Guarantor, and by its acceptance of this Guaranty, the Agent and each other Guaranteed Party, hereby confirms that it is the intention of all such Persons that this Guaranty and the obligations of each Guarantor hereunder not constitute a fraudulent transfer or conveyance for purposes of Bankruptcy Law (as hereinafter defined), the Uniform Fraudulent

Conveyance Act, the Uniform Fraudulent Transfer Act or any similar foreign, federal or state law to the extent applicable to this Guaranty and the obligations of each Guarantor hereunder. To effectuate the foregoing intention, the Agent, the other Guaranteed Parties and the Guarantors hereby irrevocably agree that the obligations of each Guarantor under this Guaranty at any time shall be limited to the maximum amount as will result in the obligations of such Guarantor under this Guaranty not constituting a fraudulent transfer or conveyance. For purposes hereof, "Bankruptcy Law" means any proceeding of the type referred to in Section 6.01(e) of the Credit Agreement or Title 11, U.S. Code, or any similar foreign, federal or state law for the relief of debtors.

(c) Each Guarantor hereby unconditionally and irrevocably agrees that in the event any payment shall be required to be made to any Guaranteed Party under this Guaranty or any other guaranty, such Guarantor will contribute, to the maximum extent permitted by law, such amounts to each other Guarantor and each other guarantor so as to maximize the aggregate amount paid to the Guaranteed Parties under or in respect of the Loan Documents.

Section 2. Guaranty Absolute. Each Guarantor guarantees that the Guaranteed Obligations will be paid strictly in accordance with the terms of the Loan Documents, regardless of any law, regulation or order now or hereafter in effect in any jurisdiction affecting any of such terms or the rights of any Guaranteed Party with respect thereto. The obligations of each Guarantor under or in respect of this Guaranty are independent of the Guaranteed Obligations or any other obligations of any other Loan Party under or in respect of the Loan Documents, and a separate action or actions may be brought and prosecuted against each Guarantor to enforce this Guaranty, irrespective of whether any action is brought against the Company or any other Loan Party or whether the Company or any other Loan Party is joined in any such action or actions. The liability of each Guarantor under this Guaranty shall be irrevocable, absolute and unconditional irrespective of, and each Guarantor hereby irrevocably waives any defenses it may now have or hereafter acquire in any way relating to, any or all of the following:

(a) any lack of validity or enforceability of any Loan Document or any agreement or instrument relating thereto;

(b) any change in the time, manner or place of payment of, or in any other term of, all or any of the Guaranteed Obligations or any other obligations of any other Loan Party under or in respect of the Loan Documents, or any other amendment or waiver of or any consent to departure from any Loan Document, including, without limitation, any increase in the Guaranteed Obligations resulting from the extension of additional credit to any Loan Party or any of its Subsidiaries or otherwise;

(c) any taking, exchange, release or non-perfection of any collateral, or any taking, release or amendment or waiver of, or consent to departure from, any other guaranty, for all or any of the Guaranteed Obligations;

(d) any manner of application of any collateral, or proceeds thereof, to all or any of the Guaranteed Obligations, or any manner of sale or other disposition of any collateral for all or any of the Guaranteed Obligations or any other obligations of any

Loan Party under the Loan Documents or any other assets of any Loan Party or any of its Subsidiaries;

(e) any change, restructuring or termination of the corporate structure or existence of any Loan Party or any of its Subsidiaries;

(f) any failure of any Guaranteed Party to disclose to any Loan Party any information relating to the business, condition (financial or otherwise), operations, performance, properties or prospects of any other Loan Party now or hereafter known to such Guaranteed Party (each Guarantor waiving any duty on the part of the Guaranteed Parties to disclose such information);

(g) the failure of any other Person to execute or deliver this Guaranty, any Guaranty Supplement (as hereinafter defined) or any other guaranty or agreement or the release or reduction of liability of any Guarantor or other guarantor or surety with respect to the Guaranteed Obligations; or

(h) any other circumstance (including, without limitation, any statute of limitations) or any existence of or reliance on any representation by any Guaranteed Party that might otherwise constitute a defense available to, or a discharge of, any Loan Party or any other guarantor or surety.

This Guaranty shall continue to be effective or be reinstated, as the case may be, if at any time any payment of any of the Guaranteed Obligations is rescinded or must otherwise be returned by any Guaranteed Party or any other Person upon the insolvency, bankruptcy or reorganization of the Company or any other Loan Party or otherwise, all as though such payment had not been made.

Section 3. Waivers and Acknowledgments. (a) Each Guarantor hereby unconditionally and irrevocably waives promptness, diligence, notice of acceptance, presentment, demand for performance, notice of nonperformance, default, acceleration, protest or dishonor and any other notice with respect to any of the Guaranteed Obligations and this Guaranty and any requirement that any Guaranteed Party protect, secure, perfect or insure any Lien or any property subject thereto or exhaust any right or take any action against any Loan Party or any other Person or any collateral.

(b) Each Guarantor hereby unconditionally and irrevocably waives any right to revoke this Guaranty and acknowledges that this Guaranty is continuing in nature and applies to all Guaranteed Obligations, whether existing now or in the future.

(c) Each Guarantor hereby unconditionally and irrevocably waives (i) any defense arising by reason of any claim or defense based upon an election of remedies by any Guaranteed Party that in any manner impairs, reduces, releases or otherwise adversely affects the subrogation, reimbursement, exoneration, contribution or indemnification rights of such Guarantor or other rights of such Guarantor to proceed against any of the other Loan Parties, any other guarantor or any other Person or any collateral and (ii) any defense based on any right of set-off or counterclaim against or in respect of the obligations of such Guarantor hereunder.

(d) Each Guarantor hereby unconditionally and irrevocably waives any duty on the part of any Guaranteed Party to disclose to such Guarantor any matter, fact or thing relating to the business, condition (financial or otherwise), operations, performance, properties or prospects of any other Loan Party or any of its Subsidiaries now or hereafter known by such Guaranteed Party.

(e) Each Guarantor acknowledges that it will receive substantial direct and indirect benefits from the financing arrangements contemplated by the Loan Documents and that the waivers set forth in Section 2 and this Section 3 are knowingly made in contemplation of such benefits.

Section 4. Subrogation. Each Guarantor hereby unconditionally and irrevocably agrees not to exercise any rights that it may now have or hereafter acquire against the Company, any other Loan Party or any other insider guarantor that arise from the existence, payment, performance or enforcement of such Guarantor's obligations under or in respect of this Guaranty or any other Loan Document, including, without limitation, any right of subrogation, reimbursement, exoneration, contribution or indemnification and any right to participate in any claim or remedy of any Guaranteed Party against the Company, any other Loan Party or any other insider guarantor or any collateral, whether or not such claim, remedy or right arises in equity or under contract, statute or common law, including, without limitation, the right to take or receive from the Company, any other Loan Party or any other insider guarantor, directly or indirectly, in cash or other property or by set-off or in any other manner, payment or security on account of such claim, remedy or right, unless and until all of the Guaranteed Obligations and all other amounts payable under this Guaranty shall have been paid in full in cash, all Letters of Credit shall have expired or been terminated and the Commitments shall have expired or been terminated. If any amount shall be paid to any Guarantor in violation of the immediately preceding sentence at any time prior to the latest of (a) the payment in full in cash of the Guaranteed Obligations and all other amounts payable under this Guaranty, (b) the Termination Date and (c) the latest date of expiration or termination of all Letters of Credit, such amount shall be received and held in trust for the benefit of the Guaranteed Parties, shall be segregated from other property and funds of such Guarantor and shall forthwith be paid or delivered to the Agent in the same form as so received (with any necessary endorsement or assignment) to be credited and applied to the Guaranteed Obligations and all other amounts payable under this Guaranty, whether matured or unmatured, in accordance with the terms of the Loan Documents, or to be held as collateral for any Guaranteed Obligations or other amounts payable under this Guaranty thereafter arising. If (i) any Guarantor shall make payment to any Guaranteed Party of all or any part of the Guaranteed Obligations, (ii) all of the Guaranteed Obligations and all other amounts payable under this Guaranty shall have been paid in full in cash, (iii) the Termination Date shall have occurred and (iv) all Letters of Credit shall have expired or been terminated, the Guaranteed Parties will, at such Guarantor's request and expense, execute and deliver to such Guarantor appropriate documents, without recourse and without representation or warranty, necessary to evidence the transfer by subrogation to such Guarantor of an interest in the Guaranteed Obligations resulting from such payment made by such Guarantor pursuant to this Guaranty.

Section 5. Payments Free and Clear of Taxes, Etc.. (a) Any and all payments made by any Guarantor under or in respect of this Guaranty or any other Loan Document shall be made, in accordance with Section 2.14 of the Credit Agreement, free and clear of and without

deduction for any and all present or future Taxes. If any Guarantor shall be required by law to deduct any Taxes from or in respect of any sum payable under or in respect of this Guaranty or any other Loan Document to any Guaranteed Party, (i) the sum payable by such Guarantor shall be increased as may be necessary so that after such Guarantor and the Agent have made all required deductions (including deductions applicable to additional sums payable under this Section 5), such Guaranteed Party receives an amount equal to the sum it would have received had no such deductions been made, (ii) such Guarantor shall make all such deductions and (iii) such Guarantor shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law.

(b) In addition, each Guarantor agrees to pay any present or future Other Taxes that arise from any payment made by or on behalf of such Guarantor under or in respect of this Guaranty or any other Loan Document or from the execution, delivery or registration of, performance under, or otherwise with respect to, this Guaranty and the other Loan Documents.

(c) Each Guarantor will indemnify each Guaranteed Party for and hold it harmless against the full amount of Taxes and Other Taxes, and for the full amount of taxes of any kind imposed by any jurisdiction on amounts payable under this Section 5, imposed on or paid by such Guaranteed Party and any liability (including penalties, additions to tax, interest and expenses) arising therefrom or with respect thereto. This indemnification shall be made within 30 days from the date such Guaranteed Party makes written demand therefor.

(d) The obligations of each Guarantor under this Section are subject in all respects to the limitations, qualifications and satisfaction of conditions set forth in Section 2.15 of the Credit Agreement. Without limitation of the foregoing, the Lenders are subject to the obligations set forth in Section 2.15 of the Credit Agreement to the same extent as if set forth herein.

Section 6. Representations and Warranties. Each Guarantor hereby makes each representation and warranty made in the Loan Documents by the Company with respect to such Guarantor and each Guarantor hereby further represents and warrants as follows:

(a) There are no conditions precedent to the effectiveness of this Guaranty that have not been satisfied or waived.

(b) Such Guarantor has, independently and without reliance upon any Guaranteed Party and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Guaranty and each other Loan Document to which it is or is to be a party, and such Guarantor has established adequate means of obtaining from each other Loan Party on a continuing basis information pertaining to, and is now and on a continuing basis will be completely familiar with, the business, condition (financial or otherwise), operations, performance, properties and prospects of such other Loan Party.

Section 7. Covenants. Each Guarantor covenants and agrees that, so long as any part of the Guaranteed Obligations shall remain unpaid, any Letter of Credit shall be outstanding or any Lender shall have any Commitment, such Guarantor will perform and observe, and cause

each of its Subsidiaries to perform and observe, all of the terms, covenants and agreements set forth in the Loan Documents on its or their part to be performed or observed or that the Company has agreed to cause such Guarantor or such Subsidiaries to perform or observe.

Section 8. Amendments, Guaranty Supplements, Etc. (a) No amendment or waiver of any provision of this Guaranty and no consent to any departure by any Guarantor therefrom shall in any event be effective unless the same shall be in writing and signed by the Agent and the Required Lenders, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided, however, that no amendment, waiver or consent shall, unless in writing and signed by all of the Guaranteed Parties, (a) reduce or limit the obligations of any Guarantor hereunder, release any Guarantor hereunder or otherwise limit any Guarantor's

liability with respect to the obligations owing to the Guaranteed Parties under or in respect of the Loan Documents except as provided in the next succeeding sentence, (b) postpone any date fixed for payment hereunder or (c) change the number of Guaranteed Parties or the percentage of (x) the Commitments, (y) the aggregate unpaid principal amount of the Advances or (z) the aggregate Available Amount of outstanding Letters of Credit that, in each case, shall be required for the Guaranteed Parties or any of them to take any action hereunder. Upon the sale of a Guarantor to the extent permitted in accordance with the terms of the Loan Documents, such Guarantor shall be automatically released from this Guaranty.

(b) Upon the execution and delivery by any Person of a guaranty supplement in substantially the form of Exhibit A hereto (each, a "Guaranty Supplement"), (i) such Person shall be referred to as an "Additional Guarantor" and shall become and be a Guarantor hereunder, and each reference in this Guaranty to a "Guarantor" shall also mean and be a reference to such Additional Guarantor, and each reference in any other Loan Document to a "Subsidiary Guarantor" shall also mean and be a reference to such Additional Guarantor, and (ii) each reference herein to "this Guaranty", "hereunder", "hereof" or words of like import referring to this Guaranty, and each reference in any other Loan Document to the "Subsidiary Guaranty", "thereunder", "thereof" or words of like import referring to this Guaranty, shall mean and be a reference to this Guaranty as supplemented by such Guaranty Supplement.

Section 9. Notices, Etc. All notices and other communications provided for hereunder shall be in writing (including telegraphic, telecopy or telex communication) and mailed, telegraphed, telecopied, telexed or delivered to it, if to any Guarantor, addressed to it in care of the Company at the Company's address specified in Section 9.02 of the Credit Agreement, if to the Agent or any Lender, at its address specified in Section 9.02 of the Credit Agreement, or, as to any party, at such other address as shall be designated by such party in a written notice to each other party. All such notices and other communications shall, when mailed, telegraphed, telecopied or telexed, be effective when deposited in the mails, delivered to the telegraph company, transmitted by telecopier or confirmed by telex answerback, respectively. Delivery by telecopier of an executed counterpart of a signature page to any amendment or waiver of any provision of this Guaranty or of any Guaranty Supplement to be executed and delivered hereunder shall be effective as delivery of an original executed counterpart thereof.

Section 10. No Waiver; Remedies. No failure on the part of any Guaranteed Party to exercise, and no delay in exercising, any right hereunder shall operate as a waiver

thereof; nor shall any single or partial exercise of any right hereunder preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

Section 11. Right of Set-off. Upon (a) the occurrence and during the continuance of any Event of Default and (b) the making of the request or the granting of the consent specified by Section 6.01 of the Credit Agreement to authorize the Agent to declare the Advances due and payable pursuant to the provisions of said Section 6.01, the Agent and each Lender and each of their respective Affiliates is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by the Agent, such Lender or such Affiliate to or for the credit or the account of any Guarantor against any and all of the obligations of such Guarantor now or hereafter existing under the Loan Documents, irrespective of whether the Agent or such Lender shall have made any demand under this Guaranty or any other Loan Document and although such obligations may be unmatured. The Agent and each Lender agrees promptly to notify such Guarantor after any such set-off and application; provided, however, that the failure to give such notice shall not affect the validity of such set-off and application. The rights of the Agent and each Lender and their respective Affiliates under this Section are in addition to other rights and remedies (including, without limitation, other rights of set-off) that the Agent, such Lender and their respective Affiliates may have.

Section 12. Indemnification. (a) Without limitation on any other obligations of any Guarantor or remedies of the Guaranteed Parties under this Guaranty, each Guarantor shall, to the fullest extent permitted by law, indemnify, defend and save and hold harmless each Guaranteed Party and each of their Affiliates and their respective officers, directors, employees, agents and advisors (each, an "Indemnified Party") from and against, and shall pay on demand, any and all claims, damages, losses, liabilities and expenses (including, without limitation, reasonable fees and expenses of counsel) that may be incurred by or asserted or awarded against any Indemnified Party in connection with or as a result of any failure of any Guaranteed Obligations to be the legal, valid and binding obligations of any Loan Party enforceable against such Loan Party in accordance with their terms.

(b) Each Guarantor hereby also agrees that none of the Indemnified Parties shall have any liability (whether direct or indirect, in contract, tort or otherwise) to any of the Guarantors or any of their respective Affiliates or any of their respective officers, directors, employees, agents and advisors, and each Guarantor hereby agrees not to assert any claim against any Indemnified Party on any theory of liability, for special, indirect, consequential or punitive damages arising out of or otherwise relating to the Facilities, the actual or proposed use of the proceeds of the Advances or the Letters of Credit or any of the transactions contemplated by the Loan Documents.

(c) Without prejudice to the survival of any of the other agreements of any Guarantor under this Guaranty or any of the other Loan Documents, the agreements and obligations of each Guarantor contained in Section 1(a) (with respect to enforcement expenses), the last sentence of Section 2, Section 5 and this Section 12 shall survive the payment in full of the Guaranteed Obligations and all of the other amounts payable under this Guaranty.

Section 13. Subordination. Each Guarantor hereby subordinates any and all debts, liabilities and other obligations owed to such Guarantor by each other Loan Party (the "Subordinated Obligations") to the Guaranteed Obligations to the extent and in the manner hereinafter set forth in this Section 13:

(a) Prohibited Payments, Etc. Except during the continuance of a Default (including the commencement and continuation of any proceeding under any Bankruptcy Law relating to any other Loan Party), each Guarantor may receive regularly scheduled payments from any other Loan Party on account of the Subordinated Obligations. After the occurrence and during the continuance of any Default (including the commencement and continuation of any proceeding under any Bankruptcy Law relating to any other Loan Party), however, unless the Agent otherwise agrees, no Guarantor shall demand, accept or take any action to collect any payment on account of the Subordinated Obligations.

(b) Prior Payment of Guaranteed Obligations. In any proceeding under any Bankruptcy Law relating to any other Loan Party, each Guarantor agrees that the Guaranteed Parties shall be entitled to receive payment in full in cash of all Guaranteed Obligations (including all interest and expenses accruing after the commencement of a proceeding under any Bankruptcy Law, whether or not constituting an allowed claim in such proceeding ("Post Petition Interest")) before such Guarantor receives payment of any Subordinated Obligations.

(c) Turn-Over. After the occurrence and during the continuance of any Default (including the commencement and continuation of any proceeding under any Bankruptcy Law relating to any other Loan Party), each Guarantor shall, if the Agent so requests, collect, enforce and receive payments on account of the Subordinated Obligations as trustee for the Guaranteed Parties and deliver such payments to the Agent on account of the Guaranteed Obligations (including all Post Petition Interest), together with any necessary endorsements or other instruments of transfer, but without reducing or affecting in any manner the liability of such Guarantor under the other provisions of this Guaranty.

(d) Agent Authorization. After the occurrence and during the continuance of any Default (including the commencement and continuation of any proceeding under any Bankruptcy Law relating to any other Loan Party), the Agent is authorized and empowered (but without any obligation to so do), in its discretion, (i) in the name of each Guarantor, to collect and enforce, and to submit claims in respect of, Subordinated Obligations and to apply any amounts received thereon to the Guaranteed Obligations (including any and all Post Petition Interest), and (ii) to require each Guarantor (A) to collect and enforce, and to submit claims in respect of, Subordinated Obligations and (B) to pay any amounts received on such obligations to the Agent for application to the Guaranteed Obligations (including any and all Post Petition Interest).

Section 14. Continuing Guaranty; Assignments under the Credit Agreement. This Guaranty is a continuing guaranty and shall (a) remain in full force and effect until the latest of (i) the payment in full in cash of the Guaranteed Obligations and all other amounts payable under this Guaranty, (ii) the Termination Date and (iii) the latest date of expiration or termination

of all Letters of Credit, (b) be binding upon the Guarantor, its successors and assigns and (c) inure to the benefit of and be enforceable by the Guaranteed Parties and their successors, transferees and assigns. Without limiting the generality of clause (c) of the immediately preceding sentence, any Guaranteed Party may assign or otherwise transfer all or any portion of its rights and obligations under the Credit Agreement (including, without limitation, all or any portion of its Commitments, the Advances owing to it and the Note or Notes held by it) to any other Person, and such other Person shall thereupon become vested with all the benefits in respect thereof granted to such Guaranteed Party herein or otherwise, in each case as and to the extent provided in Section 9.07 of the Credit Agreement. No Guarantor shall have the right to assign its rights hereunder or any interest herein without the prior written consent of the Guaranteed Parties.

Section 15. Execution in Counterparts. This Guaranty and each amendment, waiver and consent with respect hereto may be executed in any number of counterparts and by different parties thereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Guaranty by telecopier shall be effective as delivery of an original executed counterpart of this Guaranty.

Section 16. Governing Law; Jurisdiction; Waiver of Jury Trial, Etc. (a) This Guaranty shall be governed by, and construed in accordance with, the laws of the State of New York.

(b) Each Guarantor hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of any New York State court or federal court of the United States of America sitting in New York City, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Guaranty or any of the other Loan Documents to which it is or is to be a party, or for recognition or enforcement of any judgment, and each Guarantor hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in any such New York State court or, to the extent permitted by law, in such federal court. Each Guarantor agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Guaranty or any other Loan Document shall affect any right that any party may otherwise have to bring any action or proceeding relating to this Guaranty or any other Loan Document in the courts of any jurisdiction.

(c) Each Guarantor irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection that it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Guaranty or any of the other Loan Documents to which it is or is to be a party in any New York State or federal court. Each Guarantor hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such suit, action or proceeding in any such court.

(d) Each Guarantor hereby irrevocably waives all right to trial by jury in any action, proceeding or counterclaim (whether based on contract, tort or otherwise) arising out of

or relating to any of the Loan Documents, the Advances or the actions of any Guaranteed Party in the negotiation, administration, performance or enforcement thereof.

IN WITNESS WHEREOF, each Guarantor has caused this Guaranty to be duly executed and delivered by its officer thereunto duly authorized as of the date first above written.

[NAME OF GUARANTOR]

By _____

Title:

[NAME OF GUARANTOR]

By _____
Title:

Etc.

Exhibit A
To The
Subsidiary Guaranty

FORM OF SUBSIDIARY GUARANTY SUPPLEMENT

_____ __, 200_

CITIBANK, N.A., as Agent
[Address of Agent]
Attention: _____

Credit Agreement dated as of December __, 2003 among
Sealed Air Corporation, a Delaware corporation (the "Company"), the other Borrowers
party to the Credit Agreement, the Lenders
party to the Credit Agreement, and Citibank, N.A., as Agent

Ladies and Gentlemen:

Reference is made to the above-captioned Credit Agreement and to the Subsidiary Guaranty referred to therein (such Subsidiary Guaranty, as in effect on the date hereof and as it may hereafter be amended, supplemented or otherwise modified from time to time, together with this Guaranty Supplement, being the "Subsidiary Guaranty"). The capitalized terms defined in the Subsidiary Guaranty or in the Credit Agreement and not otherwise defined herein are used herein as therein defined.

Section 1. Guaranty; Limitation of Liability. (a) The undersigned hereby absolutely, unconditionally and irrevocably guarantees the punctual payment when due, whether at scheduled maturity or on any date of a required prepayment or by acceleration, demand or otherwise, of all obligations of each other Loan Party now or hereafter existing under or in respect of the Loan Documents (including, without limitation, any extensions, modifications, substitutions, amendments or renewals of any or all of the foregoing obligations), whether direct or indirect, absolute or contingent, and whether for principal, interest, premium, fees, indemnities, contract causes of action, costs, expenses or otherwise (such obligations being the "Guaranteed Obligations"), and agrees to pay any and all expenses (including, without limitation, fees and expenses of counsel) incurred by the Agent or any other Guaranteed Party in enforcing any rights under this Guaranty Supplement, the Subsidiary Guaranty or any other Loan Document. Without limiting the generality of the foregoing, the undersigned's liability shall extend to all amounts that constitute part of the Guaranteed Obligations and would be owed by any other Loan Party to any Guaranteed Party under or in respect of the Loan Documents but for the fact that they are unenforceable or not allowable due to the existence of a bankruptcy, reorganization or similar proceeding involving such other Loan Party.

(b) The undersigned, and by its acceptance of this Guaranty Supplement, the Agent and each other Guaranteed Party, hereby confirms that it is the intention of all such Persons that this Guaranty Supplement, the Subsidiary Guaranty and the obligations of the undersigned hereunder and thereunder not constitute a fraudulent transfer or conveyance for purposes of Bankruptcy Law, the Uniform Fraudulent Conveyance Act, the Uniform Fraudulent Transfer Act or any similar foreign, federal or state law to the extent applicable to this Guaranty Supplement, the Subsidiary Guaranty and the obligations of the undersigned hereunder and thereunder. To effectuate the foregoing intention, the Agent, the other Guaranteed Parties and the undersigned hereby irrevocably agree that the obligations of the undersigned under this Guaranty Supplement and the Subsidiary Guaranty at any time shall be limited to the maximum amount as will result in the obligations of the undersigned under this Guaranty Supplement and the Subsidiary Guaranty not constituting a fraudulent transfer or conveyance.

(c) The undersigned hereby unconditionally and irrevocably agrees that in the event any payment shall be required to be made to any Guaranteed Party under this Guaranty Supplement, the Subsidiary Guaranty or any other guaranty, the undersigned will contribute, to the maximum extent permitted by applicable law, such amounts to each other Guarantor and each other guarantor so as to maximize the aggregate amount paid to the Guaranteed Parties under or in respect of the Loan Documents.

Section 2. Obligations Under the Guaranty. The undersigned hereby agrees, as of the date first above written, to be bound as a Guarantor by all of the terms and conditions of the Subsidiary Guaranty to the same extent as each of the other Guarantors thereunder. The undersigned further agrees, as of the date first above written, that each reference in the Subsidiary Guaranty to an "Additional Guarantor" or a "Guarantor" shall also mean and be a reference to the undersigned, and each reference in any other Loan Document to a "Subsidiary Guarantor" or a "Loan Party" shall also mean and be a reference to the undersigned.

Section 3. Representations and Warranties. The undersigned hereby makes each representation and warranty set forth in Section 6 of the Subsidiary Guaranty to the same extent as each other Guarantor.

Section 4. Delivery by Telecopier. Delivery of an executed counterpart of a signature page to this Guaranty Supplement by telecopier shall be effective as delivery of an original executed counterpart of this Guaranty Supplement.

Section 5. Governing Law; Jurisdiction; Waiver of Jury Trial, Etc. (a) This Guaranty Supplement shall be governed by, and construed in accordance with, the laws of the State of New York.

(b) The undersigned hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of any New York State court or any federal court of the United States of America sitting in New York City, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Guaranty Supplement, the Subsidiary Guaranty or any of the other Loan Documents to which it is or is to be a party, or for recognition or enforcement of any judgment, and the undersigned hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard

and determined in any such New York State court or, to the extent permitted by law, in such federal court. The undersigned agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Guaranty Supplement or the Subsidiary Guaranty or any other Loan Document shall affect any right that any party may otherwise have to bring any action or proceeding relating to this Guaranty Supplement, the Subsidiary Guaranty or any of the other Loan Documents to which it is or is to be a party in the courts of any other jurisdiction.

(c) The undersigned irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection that it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Guaranty Supplement, the Subsidiary Guaranty or any of the other Loan Documents to which it is or is to be a party in any New York State or federal court. The undersigned hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such suit, action or proceeding in any such court.

(d) The undersigned hereby irrevocably waives all right to trial by jury in any action, proceeding or counterclaim (whether based on contract, tort or otherwise) arising out of or relating to any of the Loan Documents, the Advances or the actions of any Guaranteed Party in the negotiation, administration, performance or enforcement thereof.

Very truly yours,

[NAME OF ADDITIONAL GUARANTOR]

By _____
Title:

EXHIBIT E - FORM OF
BORROWER DESIGNATION AGREEMENT

[DATE]

To each of the Lenders
parties to the Credit Agreement
(as defined below) and to Citibank, N.A.
as Administrative Agent for such Lenders

Ladies and Gentlemen:

Reference is made to the Three Year Credit Agreement dated as of December 19, 2003 among Sealed Air Corporation (the "Company"), certain other Borrowers (as defined in the Credit Agreement), the Lenders (as defined in the Credit Agreement) and Citibank, N.A., as agent for the Lenders (the "Credit Agreement"). Terms used herein and defined in the Credit Agreement shall have the respective meanings ascribed to such terms in the Credit Agreement.

Please be advised that the Company hereby designates its undersigned Subsidiary, ("Designated Subsidiary"), as a "Designated Subsidiary" under and for all purposes of the Credit Agreement.

The Designated Subsidiary, in consideration of each Lender's agreement to extend credit to it under and on the terms and conditions set forth in the Credit Agreement, does hereby assume each of the obligations imposed upon a "Designated Subsidiary" and a "Borrower" under the Credit Agreement and agrees to be bound by the terms and conditions of the Credit Agreement. In furtherance of the foregoing, the Designated Subsidiary hereby represents and warrants to each Lender as follows:

(a) The Designated Subsidiary is a corporation duly organized, validly existing and in good standing under the laws of .

(b) The execution, delivery and performance by the Designated Subsidiary of this Borrower Designation Agreement, the Credit Agreement and the Notes to be delivered by it are within the Designated Subsidiary's corporate powers, have been duly authorized by all necessary corporate action and do not contravene (i) the Designated Subsidiary's charter or by-laws or (ii) any law, rule or regulation applicable to the Designated Subsidiary or (iii) any material contractual or legal restriction binding on the Designated Subsidiary. This Borrower Designation Agreement and the Notes delivered by it have been duly executed and delivered on behalf of the Designated Subsidiary.

(c) No authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body is required for the due execution, delivery and performance by the Designated Subsidiary of this Borrower Designation Agreement, the Credit Agreement or the Notes to be delivered by it.

(d) This Borrower Designation Agreement is, and the Notes to be delivered by the Designated Subsidiary when delivered will be, legal, valid and binding obligations of the Designated Subsidiary enforceable against the Designated Subsidiary in accordance with their respective terms.

(e) There is no pending or, to the knowledge of the Designated Subsidiary, threatened action or proceeding affecting the Designated Subsidiary or any of its Subsidiaries before any court, governmental agency or arbitrator which purports to affect the legality, validity or enforceability of this Borrower Designation Agreement, the Credit Agreement or any Note of the Designated Subsidiary.

This Borrower Designation Agreement shall be governed by, and construed in accordance with, the laws of the State of New York.

Very truly yours,

SEALED AIR CORPORATION

By _____
Name:
Title:

[THE DESIGNATED SUBSIDIARY]

By _____
Name:
Title:

QuickLinks -- Click here to rapidly navigate through this document

EXHIBIT 21

SUBSIDIARIES OF THE COMPANY

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

Ciras CV	Netherlands
Corporativo Cryovac S.R.L. de C.V.	Mexico
CPI Packaging, Inc.	Delaware
Cryovac Australia Pty. Ltd.	Australia
Cryovac Brazil Ltda.	Brazil
Cryovac B.V.	Netherlands
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 S.R.L. de C.V.	Mexico
Cryovac, Inc.†	Delaware
Cryovac India Private Limited	India
Cryovac International Holdings, Inc.	Delaware
Cryovac Leasing Corporation	Delaware
Cryovac (Malaysia) Sdn. Bhd.	Malaysia
Cryovac Packaging Portugal Embalagens, Ltda.	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
Dry Chill Pty. Ltd.	Australia
Drypac Pty. Ltd.	Australia
EEIG VES***	France
Getpacking Limited	United Kingdom
Getpacking.com, GmbH	Switzerland
Invertol S.R.L. de C.V.	Mexico
Kelder Plastibox B.V.	Netherlands
Noja Inmobiliaria, S.A. de C.V.	Mexico
Omni Supply Inc.**	North Carolina
Polymask Corporation*	Delaware
Poly Packaging Systems, Inc.	Delaware
Polypride, Inc.	Delaware
Producembal-Produção de Embalagens, Ltda	Portugal
Reflectix, Inc.	Delaware
Saddle Brook Insurance Company	Vermont
Sealed Air Africa (Pty) Ltd.	South Africa
Sealed Air Argentina S.A.	Argentina
Sealed Air Australia (Holdings) Pty. Limited	Australia
Sealed Air Australia Pty. Limited	Queensland, Australia
Sealed Air Belgium NV	Belgium
Sealed Air Botswana (Pty.) Limited	Botswana
Sealed Air Brasil Ltda.	Brazil
Sealed Air B.V.	Netherlands
Sealed Air (Canada) Co./CIE	Ontario, Canada

Sealed Air (Canada) Holdings BV	Netherlands
Sealed Air Central America, S.A.	Guatemala
Sealed Air Chile Industrial Ltda.	Chile
Sealed Air (China) Limited	Delaware
Sealed Air Colombia Ltda.	Colombia
Sealed Air Corporation (US)	Delaware
Sealed Air de Mexico S. de R.L. 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 Finance, LLC	Delaware
Sealed Air Foreign Sales Corp.	Barbados
Sealed Air Funding Corporation	Delaware
Sealed Air (Gaoming) Packaging Co., Ltd.	China
Sealed Air GmbH	Germany
Sealed Air GmbH	Switzerland
Sealed Air (Greenore) Limited	Ireland
Sealed Air Hellas S.A.	Greece
Sealed Air Holdings (New Zealand) I, LLC	Delaware
Sealed Air Holdings (UK) Limited	United Kingdom
Sealed Air Hong Kong Limited	Hong Kong
Sealed Air Hungary Kft.	Hungary
Sealed Air (India) Limited	Delaware
Sealed Air International LLC	Delaware
Sealed Air (Ireland) Limited	Ireland
Sealed Air (Israel) Ltd.	Israel
Sealed Air Italy S.R.L.	Italy
Sealed Air Japan Limited	Japan
Sealed Air Kaustik ZAO**	Russia
Sealed Air Korea Limited	Korea
Sealed Air (Latin America) Holdings II, LLC	Delaware
Sealed Air Limited	Ireland
Sealed Air Limited	United Kingdom
Sealed Air LLC	Delaware
Sealed Air Luxembourg S.C.A.	Luxembourg
Sealed Air Luxembourg S.a.r.l.	Luxembourg
Sealed Air Luxembourg (I) S.a.r.l.	Luxembourg
Sealed Air Luxembourg (II) S.a.r.l.	Luxembourg
Sealed Air (Malaysia) Sdn. Bhd.	Malaysia
Sealed Air Management Holding GmbH & Co., KG	Germany
Sealed Air Management Holding Verwaltungs GmbH	Germany
Sealed Air Multiflex GmbH	Germany
Sealed Air Netherlands (Holdings) B.V.	Netherlands
Sealed Air Netherlands (Holdings) I B.V.	Netherlands
Sealed Air Netherlands (Holdings) II B.V.	Netherlands
Sealed Air Nevada Holdings Limited	Nevada
Sealed Air (New Zealand)	New Zealand
Sealed Air Norge AS	Norway
Sealed Air OOO	Russia
Sealed Air Oy	Finland

Sealed Air Packaging Holdings (Israel) Ltd.	Israel
Sealed Air Packaging Limited	United Kingdom
Sealed Air Packaging LLC	Delaware
Sealed Air Packaging, S.L.	Spain
Sealed Air Packaging S.A.S.	France
Sealed Air Packaging (Shanghai) Co., Ltd.	China
Sealed Air Packaging S.R.L.	Italy
Sealed Air Peketieme Ticaret Limited Sirketi	Turkey
Sealed Air Peru S.R.L.	Peru
Sealed Air (Philippines) Inc.	Philippines
Sealed Air Polska Sp. z.o.o.	Poland
Sealed Air (Puerto Rico) Incorporated	Delaware
Sealed Air S.A.S.	France
Sealed Air SEE Ltd.	Greece
Sealed Air (Singapore) Pte. Limited	Singapore
Sealed Air S.L.	Spain
Sealed Air Spain (Holdings) SL	Spain
Sealed Air Spain (Holdings) II, SL	Spain
Sealed Air S.R.L.	Italy
Sealed Air s.r.o	Czech Republic
Sealed Air Svenska AB	Sweden
Sealed Air Systems S.A.	France
Sealed Air Taiwan Limited	Taiwan
Sealed Air (Thailand) Limited	Thailand
Sealed Air (Ukraine) Limited	Ukraine
Sealed Air Uruguay S.A.	Uruguay
Sealed Air Venezuela, S.A.	Venezuela
Sealed Air Verpackungen GmbH	Germany
Shanklin Corporation	Delaware
Soinpar Industrial Ltda.	Brazil
Tart s.r.o***	Czech Republic

* 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 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, 2003.

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 the incorporation by reference in the registration statements (Nos. 333-89090, 333-50603 and 333-59197) on Form S-8 and registration statement No. 333-108544 on Form S-3 of Sealed Air Corporation of our report dated January 26, 2004, with respect to the consolidated balance sheets of Sealed Air Corporation and subsidiaries as of December 31, 2003 and 2002, and the related consolidated statements of operations, shareholders' equity, cash flows, and comprehensive income (loss) for each of the years in the three-year period ended December 31, 2003, and the related financial statement schedule, which appears in this December 31, 2003 annual report on Form 10-K of Sealed Air Corporation.

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

/S/ KPMG LLP

KPMG LLP

Short Hills, New Jersey
March 10, 2004

QuickLinks

EXHIBIT 23
Independent Auditors' Consent

EXHIBIT 31.1

CERTIFICATIONS

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

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

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

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

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

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

   (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 11, 2004

/s/ William V. Hickey

William V. Hickey
President and Chief Executive Officer

EXHIBIT 31.2

CERTIFICATIONS

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

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

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

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

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

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

   (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 11, 2004

/s/ David H. Kelsey

David H. Kelsey
Senior Vice President and Chief Financial Officer

QuickLinks -- Click here to rapidly navigate through this document

EXHIBIT 32.1

Certification of CEO Pursuant to
18 U.S.C. Section 1350,
as Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report on Form 10-K of Sealed Air Corporation (the "Company") for the fiscal year ending December 31, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, William V. Hickey, as Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

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

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

/s/ William V. Hickey

Name: William V. Hickey
Title: Chief Executive Officer
Date: March 11, 2004

QuickLinks

EXHIBIT 32.1
Certification of CEO Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

QuickLinks -- Click here to rapidly navigate through this document

EXHIBIT 32.2

Certification of CFO Pursuant to
18 U.S.C. Section 1350,
as Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report on Form 10-K of Sealed Air Corporation (the "Company") for the fiscal year ending December 31, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David H. Kelsey, as Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

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

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

/s/ David H. Kelsey

Name: David H. Kelsey
Title: Chief Financial Officer
Date: March 11, 2004

QuickLinks

EXHIBIT 32.2
Certification of CFO Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002