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PRESENTATION

Operator

Good morning, everyone and welcome to the Sealed Air conference call discussing the Company's first-quarter 2011 results. This call is being recorded. Leading the call today, we have William V. Hickey, President and Chief Executive Officer and David H. Kelsey, Senior Vice President and Chief Financial Officer.

After management's prepared comments, they will be taking questions. (Operator Instructions). We ask that you limit your question to one question and a brief related follow-up question per caller so that others will have a chance to participate.

Additionally, they will be accepting text questions, which can be submitted on the webcast page. And now at this time, I would like to turn the call over to Amanda Butler, Director of Investor Relations. Please go ahead, Ms. Butler.

Amanda Butler - *Sealed Air Corporation - Director, IR*

Thank you, Jennifer. And good morning, everyone. Before we begin our call today, I would like to remind you that statements made during this call stating management's outlook or predictions for the future are forward-looking statements. These statements are made solely on information that is now available to us. We encourage you to review the information in the section entitled Forward-Looking Statements in our earnings release, which applies to this call.

Additionally, our future performance may be different due to a number of factors and many of these factors are listed in our most recent annual report on Form 10-K, which you can find on our website at sealedair.com.

We also discuss financial measures that do not conform to US GAAP. You may find important information on our use of these measures and their reconciliation to US GAAP in the financial tables that we have included in our earnings release. And now I will turn the call over to Bill Hickey, our CEO. Bill?

William Hickey - *Sealed Air Corporation - President & CEO*

Thank you, Amanda and good morning, everyone. During today's call, I would like to discuss our first-quarter 2011 business performance, our revised guidance and then have Dave detail a few financial items. Once Dave and I have concluded our prepared remarks, we will be happy to take any questions.

This morning, we reported our first-quarter 2011 earnings of $0.34, which compares to reported first-quarter 2010 earnings of $0.35, or $0.36 per share on an adjusted basis. Our earnings performance was primarily impacted by the timing of the recovery of higher raw material and transportation costs, which combined were approximately $40 million higher than the prior period. We recovered about 50% of that higher cost with our $19 million increase in positive price mix. The balance had a net unfavorable impact on EPS of approximately $0.09 per share in the first quarter. In addition, there was an unfavorable $0.02 per share impact in Q1 from foreign exchange losses and gains.

The rising commodity costs impacted profitability margins by approximately 90 basis points in the first quarter. While we are very disappointed to see any decline in margin, we are pleased by the relative resilience shown in our business as compared to the other peak resin periods such as in early 2008 when margins declined in the range of 200 to 300 basis points.

We attribute the improved performance in 2011 to the benefits of timely pricing actions, execution of those pricing actions, productivity initiatives, the completion of our global manufacturing strategy, ongoing tight control of expenses, steady headcount and an increasing mix of new products and services in our portfolio.

Overall, the fundamentals of our business remain solid in the first quarter. Our consolidated sales increased 6% to $1.1 billion. Our constant dollar sales, which exclude foreign currency translation, increased 5%, which is consistent with our guidance for the year. We maintained good volume momentum with a 3% volume increase in the quarter.

Interestingly, by geography, the two more industrialized regions of the world, the United States and Europe, led the volume growth. The US achieved a 4% volume increase and was followed closely by Europe with 6% higher volumes. In Europe, I am pleased to report that all of our segments achieved volume growth in the quarter, aided by ongoing economic recovery, as well as solid demand for all our solutions.

Looking by business segment, Protective Packaging led volume growth with a 7% increase, again, driven by North America and Europe, which both grew at a comparable 7% rate due to ongoing strength in their industrial sectors. Secondarily, our Food

Packaging business achieved 2% volume growth. Their volume growth was primarily driven by 6% higher volumes in the US, which was largely attributable to solid animal production rates, which tracked higher by approximately 2% to 3% compared to last year and by new customer relationships, which were largely established in mid-2010.

Before I move on to price mix, I would like to note that the pace of our volume growth was slightly muted by volume weakness in our Australian Food Packaging business due to flooding in that region earlier in the year. Also, we faced a very challenging year-over-year comparison in our medical business in China due to pre-buying in the first quarter of 2010. Combined, these two factors equated to approximately 1 percentage point of unit volume growth. In both cases, we expect more normalized growth in the second quarter.

Moving to price mix and productivity benefits, we achieved 2% favorable price mix, or as I stated earlier, approximately $19 million. These benefits were led by approximately 5% higher price mix in our two food businesses in North America. This solid increase was due to a combination of contract price adjustments and pricing actions in late 2010 among noncontract customers.

Although most of our business segments announced new targeted price increases that went into effect in either January or February of this year, our quarterly results will not reflect meaningful benefits from these increases until the second quarter. This is due to a lag between pricing announcements, their implementation and impact on our earnings.

Additionally, our businesses have already announced new targeted pricing actions that become effective in the April through June time period. These pricing actions are largely in North America and Europe and are predominately in the mid to upper single-digit percent range. We expect to realize benefits from these actions starting in the third quarter from which we anticipate to yield price cost parity in that period.

Productivity improvement continues to remain a focus as we manage our fixed overhead costs. In the quarter, we estimate that we achieved approximately $10 million of productivity improvements to our various supply chain initiatives and our cost-to-serve programs, as well as by holding headcount relatively flat. We expect to sustain this quarterly improvement rate for the balance of this year.

Before I move to our guidance, I would like to touch upon our developing region sales as it is an important component of our long-term growth strategy. In the quarter, we achieved a reported 6% sales increase in developing regions representing 16% of consolidated sales. Excluding the Asia medical business, which I referred to earlier, reported sales on our developing regions would have increased by 8%. Despite achieving double-digit sales growth across most of Eastern Europe and India, our developing region sales growth was tempered by a modest 3% sales increase in Brazil, due to a temporary weakness in the Brazilian beef industry.

Looking at developing region growth by business segment, both Food Solutions and Protective Packaging reported double-digit sales growth in the developing regions with especially strong unit volume growth in Asia. Here, Food Solutions increased volumes by almost 40% and Protective Packaging increased volumes by 13%.

Shifting to our EPS guidance, as you saw by our press release earlier today, we have now revised full-year 2011 EPS guidance to $1.75 to $1.85 per share. This compares to our original full-year EPS guidance of $1.75 to $1.90 per share. We made this change due to higher-than-expected petrochemical-based costs, which we initially thought would peak in the first quarter of 2011.

Based on the volatility in commodity prices, we are now assuming resin costs will peak in the second quarter, which is likely to result in continued margin challenge in that quarter. We expect resin costs to decline very slightly thereafter and remain sequentially flat through the balance of the year. As such, we have updated our average annual resin price guidance assumption to reflect a year-over-year increase in the low teens percent range, similar to what we experienced in 2008 and 2010.

During those years, we incurred over $100 million of increased resin costs on an annual basis. This updated guidance compared to our original guidance of an average annual resin price increase in the low to mid single-digit percent range.

As a standard practice, we continue to pursue cost recovery with our customers as we seek to offset commodity inflation. We do this not only through pricing actions, but also with productivity improvements, reformulations of our solutions, diversification of our material streams, a higher mix of new and differentiated solutions and the use of freight or transportation surcharges as appropriate. We continue to expect a 5% to 7% increase in constant dollar sales growth in 2011, but, as a result of our pricing action, we anticipate price mix will now represent a larger portion of the growth.

Looking specifically at volumes, we expect full-year consolidated volume growth to track reasonably well to our first-quarter growth rates with our Food Packaging business continuing to generate single-digit percent volume growth annually with regional mix shifts occurring throughout the year due to variances in animal production rates. We expect our Food Solutions unit volumes to track similarly to Food Packaging as we passed the anniversary of the case-ready format change by a major retailer in August and continued to expand our solutions globally in the second half of the year.

We expect Protective Packaging unit volumes to grow at a slightly lower rate than demonstrated in the past few quarters as year-over-year comparisons become more challenging in the second half of the year as volumes return to pre-recession levels.

And finally, we expect our other category annual volume to increase to high single-digit percent rates as we passed the anniversary of the 2010 pre-buying in our Medical Applications business and our Specialty Materials business continues to recover.

As volume seasonality and price mix benefits tend to build towards the latter part of the year, as do benefits for productivity improvements and favorable foreign currency translation, we now expect to achieve higher earnings in the third and fourth quarters, which will enable us to deliver our full-year EPS guidance.

Lastly, as noted in our release, we have lowered our capital expenditure guidance by $25 million to reflect changing in the timing of projects. As such, we are now projecting capital expenditures to be $125 million to $150 million this year. We have maintained our original assumptions on other guidance items such as our effective income tax rate, depreciation and amortization and free cash flow of over $300 million.

And to reiterate our press release, our earnings guidance excludes the payment of the W.R. Grace settlement as the timing of that settlement remains unknown. However, the proceedings do continue to move ahead and are currently in the appeals process in the District Court of Delaware with the next hearing date set for June 28.

Before I pass the call to Dave, I would just like to reaffirm that the fundamentals of our business continue strong as we navigate through some regional market weaknesses and commodity cost inflation to which we are proving to be more resilient. We are actively managing through these factors and I believe that we are performing above market rates due to the strength and diversity of our portfolio solutions, unique technologies, diverse international footprint, and extensive and deep customer relationships.

Today, we remain focused on executing our 2011 plans and achieving our EPS guidance. All of our people are doing an outstanding job in the face of challenging input costs and a still fragile economic recovery. I do want to commend our sales and our service people who have done an excellent job in managing price increases while still growing our business.

And now I am going to turn the call over to Dave Kelsey to review some additional details of our financial performance and our liquidity position. Dave?

David Kelsey - *Sealed Air Corporation - SVP & CFO*

Thank you, Bill. I would like to provide some details on our operating expenses, our other expense income line item and our key balance sheet, free cash flow and liquidity items. Then I will turn the call back to Bill and to your questions.

Looking first at our marketing, administrative and development expenses for the first quarter, you will note that these expenses increased $11 million to $186 million, but remained flat as a percentage of net sales. Excluding $2 million of unfavorable foreign currency translation, these operating expenses were higher by $9 million. This increase includes higher compensation expense of approximately $5 million, severance charges to better align our resources with our growth opportunities in our Food Solutions segment of $2 million, and $2 million of SG&A related to three small acquisitions that had not yet closed in the first quarter of last year. Disciplined expense control while investing in our future is one of the cornerstones of our business strategy.

Moving down the P&L our interest expense was $4 million less in the first quarter of 2011 compared to last year due to the redemption of $150 million of our 12% senior notes in December of 2010. Other expense was $4 million in the first quarter of 2011 compared with income of $2 million in 2010.

In the first quarter of this year, we recognized net foreign currency exchange losses on some of our non-US dollar-denominated intercompany receivable and payable balances due to the strengthening of most foreign currencies against the US dollar in the quarter.

In 2010, we recognized net foreign currency exchange gains of $3 million, primarily resulting from the favorable impact of the re-measurement of one of our intercompany loans.

Now I would like to turn your attention to some key balance sheet, free cash flow and liquidity items. Cash and cash equivalents were $196 million at March 31, up $20 million from December 31 of last year, reflecting our cash flow from operations. Approximately 45% of our cash is held in currencies other than the US dollar and benefited from the weakening of the US dollar against most foreign currencies in the quarter.

Our receivables decreased $1 million to $696 million on a reported basis during the quarter. Excluding the impact of foreign currency translation, our receivables would have declined $23 million on a constant dollar basis from December 31, 2010. This decline was primarily in our customer receivables balances in Europe mainly due to normal seasonal patterns. The year-over-year increase in our receivables was consistent with our revenue growth and our days sales outstanding was essentially unchanged.

Inventory investment increased $63 million on a reported basis from December 31. Excluding the increase attributable to foreign currency translation of $15 million, our inventories increased $48 million. This increase was primarily due to the rise in raw material costs and the buildup of inventories in our North American and European food businesses in anticipation of normal seasonal sales increases in the second quarter. On a year-over-year basis, our days inventory on hand were essentially unchanged as compared with the same period last year.

We realized $54 million of free cash flow in the first quarter. The $43 million decline in free cash flow compared to the first quarter of last year was primarily due to a decline in free cash flow generated from working capital items. The net unfavorable foreign exchange impact on our combined balance of receivables, inventory and payables was approximately $30 million. We still anticipate free cash flow to exceed $300 million in 2011 as net earnings expand in future quarters and process improvements and seasonal movements lead to reduced inventory by year-end.

Looking at our liquidity position, our debt net of cash and cash equivalents at March 31 was $717 million, down $37 million from December 31, reflecting the positive cash flow from operations and the repayment of some short-term borrowings during the quarter. We have no debt maturing this year. In addition, we have no amounts outstanding under any of our committed credit facilities at any time during the first quarter. Our available committed borrowing capacity was approximately $768 million at March 31.

In summary, we remain well-positioned to fund day-to-day operations and the pending W.R. Grace settlement, although we have no date certain on when we will contribute our funds. Now, I will turn the call back to Bill and to your questions.

William Hickey - *Sealed Air Corporation - President & CEO*

Thank you, Dave. Operator, I would now like to open the call up to any questions from the participants and we will follow-up with questions from our webcast participants as well.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions). George Staphos, Bank of America.

George Staphos - *Bank of America-Merrill Lynch - Analyst*

Thanks. Hi, guys, good morning. First question I had, could you, again, go through what price increases you have in the market currently and what, if any, tactics you are taking to make sure that it is implemented as much as you would like it to, if not more, relative to history and then I had a follow-on?

William Hickey - *Sealed Air Corporation - President & CEO*

Sure, George. I will try to go quickly because I have got a list of them a page long. Food packaging -- January, 11%; Europe, January, 11%; April, 11%; Australia and New Zealand, [selective] 4%; Latin America; 15% Argentina; 6% rest of Latin America. Food Solutions -- North America March; Food Solutions Europe, January, 6%; 6.5% in March; Australia and New Zealand Q2 6%; Latin America, northern cone, 17%. Protective February was 8%; April 4%.

George Staphos - *Bank of America-Merrill Lynch - Analyst*

Okay.

William Hickey - *Sealed Air Corporation - President & CEO*

May -- I can keep going.

George Staphos - *Bank of America-Merrill Lynch - Analyst*

We give up. But I think you said mi -to high single digits and it was between April and June and US and Europe primarily?

William Hickey - *Sealed Air Corporation - President & CEO*

Yes, right. I mean it is interesting, George, maybe it is a good point to note this is US and Europe are where the resins had the most impact. A lot of the rest of the world, because of the strengthening in Brazil of the real and the strengthening of the Australian dollar, the impact on a local basis has really been pretty modest.

George Staphos - *Bank of America-Merrill Lynch - Analyst*

Okay. I guess the follow-ons are, one, how do you implement it more effectively than in the past perhaps? Although you have been doing a good job more recently. And then when you say parity on price cost, does that mean it is zero by the third quarter or that you have recovered the $20 million or so that you are behind on in the first quarter by then? Thank you.

William Hickey - *Sealed Air Corporation - President & CEO*

No, it's zero. I mean basically we have upped the outlook with increases continuing to occur. So third quarter is parity in the quarter. But let me give you an example. We do catch up. For example, resin went up $0.05 or so at the end of last year. We had price increases in December. If you look at it, interestingly enough, the sequential increase in resin was about $15 million sequentially from Q4 to Q1. If you take our price increases in Q1, which are about $19 million, and I don't have the breakout, but I am pretty confident most of that is from the fourth-quarter price announcements. So first quarter would have caught up with the fourth quarter and would have been higher than parity in Q1 had resin not gone up again in Q1. So that is just a little example of it does catch up, but Q3 is parity, Q4 start to catch up.

George Staphos - *Bank of America-Merrill Lynch - Analyst*

Understood. Thank you.

Operator

Ghansham Panjabi, Robert W. Baird.

Ghansham Panjabi - *Robert W. Baird - Analyst*

Hey, guys, good morning. On the Food Packaging business, I think you said volumes were up 2% year-over-year; North America, up 4%; Europe, up 5%. Does that mean, just based on your comments, Australia was down double digits to sort of reconcile towards that 2%?

William Hickey - *Sealed Air Corporation - President & CEO*

It means Australia and Brazil were both down. Australia and Brazil were both down and I think Brazil was actually down a double digit number. I think Brazil was actually down and I am trying to look at my notes, but Brazil was surprisingly down for a couple of reasons. In fact, the beef industry in Brazil has been hit by very high prices. The high exchange rate for the Brazilian real has really reduced the export market quite significantly and we had one of our customers, Mataboi, who is a Brazilian exporter, actually go into I guess the Brazilian equivalent of bankruptcy. But actual slaughter in Brazil was down 15% in the first quarter.

Ghansham Panjabi - *Robert W. Baird - Analyst*

Got you. And just in terms of the resin issue, the $0.09 impact in the first quarter, assuming parity by the third quarter, your pricing will clearly kick in for the second quarter, but resin is up quite a bit as well. Is a $0.09 impact sort of what to expect for the second quarter as well or is it going to bridge the parity between 1Q and 3Q? Thanks.

William Hickey - *Sealed Air Corporation - President & CEO*

Well, yes. I was going to ask you the question on your numbers for the resin. We are looking at resin going in April and May and then kind of flatlining and roughly about the same increase in Q2 as Q1. I don't know -- hopefully that is consistent with where you think things are. But that is our best look right now and of course, I haven't found anyone that can really forecast resin well.

Ghansham Panjabi - *Robert W. Baird - Analyst*

Me either. Thanks so much.

Operator

Philip Ng, Jefferies.

Philip Ng - *Jefferies & Co. - Analyst*

All right, guys. Bill, I really appreciate the color you provided on the different price increases, but just help me understand, when you account for everything, I mean your run rate for Q1 was about 1.8%. So what is the number for 2Q and 3Q, just because it is on a blended basis and it is across the board, [better] than across the board?

William Hickey - *Sealed Air Corporation - President & CEO*

Yes, by the way, Philip, before I answer your question, I do want to thank you for the chart you put in your March 31 report because I think those are very helpful for people to see that, as resin goes up and down, we gradually work our way back and we get back to parity. It just depends on how quick it goes up and how quick it flattens out. So thank you for that very useful report. But we are looking at 3% for the year. We are looking at 3% price for the year. The $18 million -- as I say, most of the $19 million in the first quarter was a carryover from Q4 price increases.

Philip Ng - *Jefferies & Co. - Analyst*

Okay, okay, that's helpful. And then just switching gears a little bit, it sounds like the Grace situation is going to get pushed out a bit, possibly 4Q, but that is anybody's guess at this point. Would you consider doing something more strategic with your free cash flow before Grace comes out of bankruptcy?

William Hickey - *Sealed Air Corporation - President & CEO*

Well, let me say that I am enthusiastically looking forward to Grace coming out of bankruptcy because it will give us a lot more flexibility in what we can do. But as of now, as you know, there have been 11 appeals filed. The current hearing is June 28. We really don't know what is going to be the outcome of that. So I guess very honestly, Philip, we are just on standby right now.

Philip Ng - *Jefferies & Co. - Analyst*

Okay, all right, guys. Thanks.

Operator

Chris Manuel, KeyBanc Capital Markets.

Chris Manuel - *KeyBanc Capital Markets - Analyst*

Good morning, gentlemen. A couple of questions for you. First, can you may be help us with -- from the sounds of things, you have pushed out some of the assumptions for the year for some of the earnings. You talked about second half of the year things getting appreciably better. And at the same time, you raised productivity and some of your other initiatives as having a bigger impact. Can you talk about what new projects or what extra things you are working on that give you more confidence in achieving some improved outlook in the back half of the year from productivity and other projects like that?

William Hickey - *Sealed Air Corporation - President & CEO*

Sure, let me let Dave handle that one.

David Kelsey - *Sealed Air Corporation - SVP & CFO*

Chris, the productivity is really a continuation of our ongoing programs, mostly in the supply chain area. We did achieve roughly $10 million of year-over-year productivity improvements in the first quarter. And we expect that rate to be maintained on a quarter-over-quarter basis for each additional quarter this year. So second quarter, we should see 10% productivity gains compared to the second quarter of last year, same thing in the third and fourth quarter. And I think if you look at the productivity gains we have achieved in the last couple of years, a $40 million target for the year is very reasonable relative to our past success.

Chris Manuel - *KeyBanc Capital Markets - Analyst*

How would that have differed from what you would have thought back in January?

David Kelsey - *Sealed Air Corporation - SVP & CFO*

These are programs that have been in place, such as our cost-to-serve program, which is looking at customer profitability on a very granular basis. So there is no -- there is nothing that is getting rolled out in response to the resin environment per se. These are the benefits we expect to see on a year-over-year basis from ongoing programs.

Chris Manuel - *KeyBanc Capital Markets - Analyst*

Okay, that's helpful. And my follow-up is as we kind of look at the volume progression, it seems like you have kind of brought down the assumption by a couple points for the full year and if I recall back on the January conference call, I think you got off to a -- you were off at a pretty good clip mid to upper single digits at that point in time. Can you maybe talk a little bit about the progression through the quarter that you saw that things changed appreciably and kind of what some of the pieces were that led you to kind of pull those numbers down a little bit for the balance of the year?

William Hickey - *Sealed Air Corporation - President & CEO*

I will take it back. This is Bill. A couple of things. One, February was really a very slow month, very slow month across most of the world, whether it was a correction or the beginning of the surge in oil prices, but it put a temporary slowdown. And then the second thing is we then given our sales organization pretty straightforward marching instructions in terms of price and with only 24 hours in the day and or we can't get the same amount of growth going after new business when we have really got to maintain and raise prices at our very large existing customer base. So it is a resource allocation issue.

We think the potential is there for the higher growth, but, right now, the most positive impact we can have upon the Company in this year is to have them focus a fair amount of their time on raising prices.

Chris Manuel - *KeyBanc Capital Markets - Analyst*

That's fair. Thank you.

Operator

Rosemarie Morbelli, Gabelli & Co.

Rosemarie Morbelli - *Gabelli & Co. - Analyst*

Good morning, all.

Rosemarie Morbelli - *Gabelli & Co. - Analyst*

Hey, Rosemarie, is this your first question from your new job?

Rosemarie Morbelli - *Gabelli & Co. - Analyst*

I know, isn't that exciting? Going back to the parity, Bill, are you talking about, or Dave, are you talking about catching up with the dollar amount or are you talking about catching up with the margin that you had last year?

William Hickey - *Sealed Air Corporation - President & CEO*

Dave?

David Kelsey - *Sealed Air Corporation - SVP & CFO*

Yes, we are talking about recovering the incremental year-over-year increase in resin cost offsetting that dollar for dollar with higher selling prices in the third quarter.

Rosemarie Morbelli - *Gabelli & Co. - Analyst*

Okay, which means that then the margin probably on the higher revenues right is going to still be depressed versus last year in the third quarter?

David Kelsey - *Sealed Air Corporation - SVP & CFO*

The margin percentage will be down a little bit just the way the arithmetic works, the same way that our margin percentage has gone down as we have introduced things like outsourced products into our mix over the last several years. But that is more the arithmetic on the margin percentage and we are focused much more on the absolute dollars that are going to be coming in the door at the end of the day.

Rosemarie Morbelli - *Gabelli & Co. - Analyst*

Okay, no, this is what I thought, but I wanted to confirm that actually that was the case. And then if I may, you talked about adjusting prices via renewals of contracts in the Food Packaging in North America. Could you talk to us about the contracts you have in other areas, other business areas, as well as other regions? Do you have the same facility of raising prices on an as-needed basis?

William Hickey - *Sealed Air Corporation - President & CEO*

Yes, I think, Rosemarie, this is Bill back, is that the contract practice is primarily a US practice. The Europeans, it is a very, very small percentage of the European business and as we have gone to some European customers and talked about it, they basically said no. So we see it in the US. We see it a little bit in Brazil with one or two of the very large processors and we see it in Australia with the large processes. But those are really the only places that we see the prevalence of contract buying. And again, it is primarily in the food business.

Rosemarie Morbelli - *Gabelli & Co. - Analyst*

And if I just can follow up on the Food Solutions severance in order to adjust your capacity, vis-a-vis the demand, could you give us a little more color as to what you are actually doing and how much you have eliminated?

William Hickey - *Sealed Air Corporation - President & CEO*

Well, actually, interesting, Rosemarie. That is really in the sales organization. What we have found as we are trying to accelerate the growth of the Food Solutions business into these new areas such as aseptic packaging and ready meals, we are finding that we don't have the right skillsets among some of the organizations, some parts of the organization. So what we have done is we have begun a process of replacing those with people with industry knowledge and technical knowledge for those areas where the growth opportunities are in Food Solutions. So it is not a savings; it is basically we are replacing skills from what we had to versus what we need going forward.

Rosemarie Morbelli - *Gabelli & Co. - Analyst*

Okay, so that should really lead to substantial growth going forward?

William Hickey - *Sealed Air Corporation - President & CEO*

We hope so.

Rosemarie Morbelli - *Gabelli & Co. - Analyst*

Okay, thanks.

Operator

Sara Magers, Wells Fargo.

Sara Magers - *Wells Fargo Securities - Analyst*

Just a quick question on the guidance. You have kind of given us what your ramp will be throughout the year on resin. Does the guidance include any kind of assumption regarding pricing initiatives in the second half of the year or at this point just take into consideration what you have done this far and what you expect to achieve April through June?

William Hickey - *Sealed Air Corporation - President & CEO*

Sara, it is really based on what we see through Q2. At this point, what we have posted covers the cost inputs that we have seen through the second quarter. So we are looking out at input costs through the second quarter and have announced pricing that, at the end of the second quarter, will get us, as we said earlier, to parity in Q3. Obviously, if there are further changes on input costs, we will have further changes on price.

Sara Magers - *Wells Fargo Securities - Analyst*

Okay, great, thank you very much.

Operator

Mark Wilde, Deutsche Bank.

Mark Wilde - *Deutsche Bank - Analyst*

Good morning, Bill. Good morning, Dave. A couple questions. Bill, I wondered, just as you think about the balance of the year, this FX that you talked about, particularly in regard to the Brazilian and Australian meat businesses, what do you assume that that is going to mean for volume for them for the balance of the year and what does that mean for Sealed Air?

William Hickey - *Sealed Air Corporation - President & CEO*

Well, the interesting thing about the global beef business is we probably get it no matter where it is. It just appears in different parts of the world.

Mark Wilde - *Deutsche Bank - Analyst*

It's like whack-a-mole.

William Hickey - *Sealed Air Corporation - President & CEO*

I don't want to use that analogy. But it is kind of like that. If it is not sold from Brazil, it is sold from the US. If it is not sold in the US, it is sold from Australia. So it kind of moves around depending on price and currency, but we are anticipating somewhat of a recovery in Brazil later in the year.

Australia, the herd size has gotten pretty small and so Australia's recovery is probably going to be much more modest, but production is going to be up like 2% versus down in the second half of the year. So I mean the US still has a fair amount of capacity and the US and Canada still have pretty sizable export potential and that serves us well.

Mark Wilde - *Deutsche Bank - Analyst*

Okay, and just to kind of follow on that, I mean we have got a lot of, as you are dealing with, a lot of commodity inflation all around the world already and we are seeing a lot of food price inflation. Do you have any thoughts on when that could start to impact red meat or just protein consumption generally as maybe people trade down away from protein?

William Hickey - *Sealed Air Corporation - President & CEO*

We actually -- you are seeing some of that now. Interesting, in Brazil where red meat costs have gone up quite a bit, we actually are seeing consumption change. I think the numbers that I saw in Brazil is, just so far this year on a quarterly annualized basis, chicken consumption has gone from 39 kilos per capita to 42 kilos per capita, something on that order of magnitude. So you are seeing more chicken being consumed, particularly even in markets that are usually heavy beef eaters like the Latin Americans.

So yes, you will see shifts in consumption. Obviously, we see it in a different part of our business whether it is packaging chicken or pork or lamb. We kind of share the proteins across the Company, so we may see it change from one format to another, but invariably we will pick up the business somewhere in the circuit.

Mark Wilde - *Deutsche Bank - Analyst*

Okay. And then finally just that $40 million productivity number that you and Dave talked about, how do you think about your ability to retain productivity gains in your business? Because presumably, in most businesses, real costs go down over time. So part of productivity gains is just the price of staying in the game.

William Hickey - *Sealed Air Corporation - President & CEO*

Dave?

David Kelsey - *Sealed Air Corporation - SVP & CFO*

I am not sure I heard the question there.

Mark Wilde - *Deutsche Bank - Analyst*

Well, Dave, I mean everybody takes out costs every year. It is just sort of part of being in business. So I am just wondering if you do something like a $40 million kind of cost reduction, productivity improvement, how much of that do you retain for shareholders versus how much gets bid back to the market?

David Kelsey - *Sealed Air Corporation - SVP & CFO*

I think the intent is from where we are today that we are retaining all of it.

Mark Wilde - *Deutsche Bank - Analyst*

Okay, very good. Thanks.

Operator

Al Kabili, Macquarie.

Al Kabili - *Macquarie Research - Analyst*

Hi, good morning. Thanks. I guess, Bill, first question is on what competitive -- how do you assess the competitive environment right now and have you seen your competitors follow you on your price announcements that you indicated to an earlier question?

William Hickey - *Sealed Air Corporation - President & CEO*

Let me sort of answer your first question. The competitive environment is always challenging. I mean I do think, in many of our markets, there is overcapacity in the industry. That generally carries over because volumes have still not returned to the peak 2008 levels before the economy turned down. And I think a lot of that capacity was bought in anticipation of the continued spectacular increases people were seeing in that 2005 to 2008 period. So there is a lot of people looking to fill machine time.

As far as price increases, I would rather sort of not speculate on what the competitors are or are not doing. I think the best thing to do is to ask them.

Al Kabili - *Macquarie Research - Analyst*

Okay. I guess what I was getting at is there anything you'd see confident that the price announcements that you have announced are going to stick because it is pretty competitive out there, particularly in some of your end markets in Europe.

William Hickey - *Sealed Air Corporation - President & CEO*

Well, one of the things that you may have heard us say on an earlier call on a cost-to-serve, I think a number of years ago we improved the profitability of our European protective business by 200 basis points, essentially by firing a number of customers. So that is what you have to do.

Al Kabili - *Macquarie Research - Analyst*

Okay, thank you. And the follow-up is on the other segment. Understanding the comp was certainly difficult on the Chinese medical business, but if we look at the absolute operating profit this quarter, it was pretty small. Is there anything besides -- is it just a delay in resin that is causing that or is there more investment you are doing there? What is the outlook to get the margins back up in that other segment? Thank you.

William Hickey - *Sealed Air Corporation - President & CEO*

Dave?

David Kelsey - *Sealed Air Corporation - SVP & CFO*

Yes, I think there are two things in addition to medical that are reflected in those margins. One is on the Specialty Materials business, there has been a little bit of a lag in recovering raw material prices. Some of their products have a fairly high raw material content relative to some of our other portfolio. So there has been some margin compression there.

But the other big impact has been related to one of the new technologies that we acquired last year that we have been developing. The spending to develop that technology was about $2 million of incremental SG&A in the first quarter that we had no comparable spending on in the first quarter last year. So I think those two items combined with the medical topic that we discussed earlier are behind the margin compression in the other category.

Al Kabili - *Macquarie Research - Analyst*

Okay, and that extra SG&A spending ramps down from here or is that sustained for a little while longer?

William Hickey - *Sealed Air Corporation - President & CEO*

The SG&A will be sustained. Hopefully, there will be a revenue stream coming into offset it sometime in the fourth quarter and then escalating next year. We have a new product that we are working diligently to get into the market.

Al Kabili - *Macquarie Research - Analyst*

Okay, very good. Thank you.

Operator

Alex Ovshey, Goldman Sachs.

Alex Ovshey - *Goldman Sachs - Analyst*

Thank you, how are you guys?

William Hickey - *Sealed Air Corporation - President & CEO*

Good.

David Kelsey - *Sealed Air Corporation - SVP & CFO*

Good.

Alex Ovshey - *Goldman Sachs - Analyst*

I have a couple of questions. First one, can you just talk about what kind of inflation you are seeing for specialty resins relative to commodity resins?

William Hickey - *Sealed Air Corporation - President & CEO*

Much less, much less. I guess the only specialty resin, if you want to call it specialty, it seems to be climbing abnormally is nylon, which has gone up -- and actually because one of the components of nylon is actually in demand by a number of places in the world. Interestingly enough, the rise in cotton prices, I mean this is a balancing, I guess [I'll learn] more industries in this Company. The rise in cotton prices to record levels has put more demand on nylon for some applications, which is then putting demand

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on nylon we use in packaging. So with the exception of nylon and EVA, most of the other specialty resins are behaving fairly well.

Alex Ovshey - *Goldman Sachs - Analyst*

That's helpful. Then I think you may have talked about this earlier on the call, but I didn't quite completely follow. If you think about the total revenue base of the Company, what percentage of the revenue base allows you to pass through higher resin costs via contractual agreements with customers versus the revenue base where you have to go out there and get pricing in the markets through letter price hikes?

William Hickey - *Sealed Air Corporation - President & CEO*

It is about 20%, about 20%.

Alex Ovshey - *Goldman Sachs - Analyst*

So 20% is contractual pass-through and then the rest would be letter price hikes?

William Hickey - *Sealed Air Corporation - President & CEO*

Right, right.

Alex Ovshey - *Goldman Sachs - Analyst*

That's helpful. And then just the last question, I think in the middle of last year to late last year, a competitor, or not necessarily a competitor, but another big flexible packaging company wanted to get into the case-ready market. Can you just talk about the competitive landscape right now in case-ready?

William Hickey - *Sealed Air Corporation - President & CEO*

I think I would just say that we have the most case-ready offerings, seven different formats for a variety of opportunities around the world. We sell all seven. At this point, there is really not much we have seen from other players in the market in a comparable case-ready format that has really achieved any significant play in the market. And I think I will just stop there.

Alex Ovshey - *Goldman Sachs - Analyst*

Okay, thanks very much for taking my questions.

Operator

Gil Alexandre, Darphil Associates.

Gil Alexandre - *Darphil Associates - Analyst*

You talked operating profit objectives of 15% in 2013. Could you give us some color as far as Protective Packaging or the other areas, how far operating profit margin should recover? Can they get back to the 14% area? And how much does Grace contribute to this 15% operating profit margin? Or you might like to give some color of what your operating profit objectives are in the other two key areas of your business.

William Hickey - *Sealed Air Corporation - President & CEO*

Yes, let me just say -- so let me start backwards is from Grace, there is no impact on operating profit because Grace costs are below the line. So I mean that will add about $0.01 a month to EPS when it goes away, but it is all below the operating profit line.

Now, on Protective, actually, if you look back, Protective was well over 14%. I am just looking for that quickly.

Gil Alexandre - *Darphil Associates - Analyst*

It was close to that in '07.

William Hickey - *Sealed Air Corporation - President & CEO*

Right, right. And if you remember, '07 was, how can I say this, was a relatively stable resin environment and I think that this business catches up, so just give us a flat runway and we will catch up to that number. Protective is very leveraged to increase sales and stability in resin price even if it is a high level. So that 14.7% in 2007 is well within reach.

Gil Alexandre - *Darphil Associates - Analyst*

14.7%?

William Hickey - *Sealed Air Corporation - President & CEO*

Right. Well within reach. I think Protective has got the capability to go well over 15% just because of the nature of the business and some of the new things we are doing.

Gil Alexandre - *Darphil Associates - Analyst*

Okay. Do you want to comment on any profit goals for the other two key areas?

William Hickey - *Sealed Air Corporation - President & CEO*

Yes, the others, I think we sort of said it will get to 15%. I mean I think the core Food Packaging business has been close to pretty 14% within the last three years. The Food Solutions business, I think we have always said that their target will be somewhat lower because they buy about $200 million worth of outsourced products on an annual basis. And since we just are a reseller of those products, our margins tend to be somewhat lower on a redistribution so to speak than a manufactured product. So Food Solutions is a business that is probably going to run probably more low teens, but again if you strip out the outsourced products, it should hit the 15% number.

Gil Alexandre - *Darphil Associates - Analyst*

You are very kind. And my last, if I may just ask on the next quarter, it is going to be pretty tough to match last year's pretax margins, isn't it?

William Hickey - *Sealed Air Corporation - President & CEO*

Well --

Gil Alexandre - *Darphil Associates - Analyst*

I just ask.

William Hickey - *Sealed Air Corporation - President & CEO*

Yes, Gil, I never give up, Gil. You should know me well enough to know I don't give up.

Gil Alexandre - *Darphil Associates - Analyst*

I thank you.

William Hickey - *Sealed Air Corporation - President & CEO*

Stay tuned.

Gil Alexandre - *Darphil Associates - Analyst*

Good luck.

William Hickey - *Sealed Air Corporation - President & CEO*

We have an Internet -- we have a Web question, which I would like to take before we get too long. Let me read the question. It is a Web question that came in. It says, in the case-ready format change with a major retailer, is the case-ready format change due to a competitor's product introduction? Any additional color? Are they similar to the change that occurred with Wal-Mart in 2008?

The answer shortly is it is not a competitor's product introduction. It is very similar to the Wal-Mart 2008 and actually it is a follow-on from that. A particular retailer changed what are known as muscle cuts of meat from case-ready to a tray over wrap in a mother bag and kept their ground beef in the case-ready form. They have since decided to change their ground beef to the over wrap with (technical difficulty) to tray over wrap in a mother bag.

We did pick up some of that trade volume in our Food Packaging business, which basically sells trays. But the case-ready component left the Food Solutions business and the annual number is about $25 million and it will lap probably in August of this year. So hopefully, that gives you a little color to that question. Okay, operator, we can take one more over the phone here.

Operator

[Chuck Peterson], Morgan Stanley.

Chuck Peterson - *Morgan Stanley - Analyst*

Good morning. I was hoping you could give us your updated thoughts around the credit rating. Specifically is getting the lift to investment grade from S&P something that you guys have focused on?

William Hickey - *Sealed Air Corporation - President & CEO*

We are certainly focused on it. I don't know that it penalizes us because I mentioned in my prepared remarks, we do not have any debt maturing this year, which means we would not expect to be going to the capital markets to raise new debt. The latest publications coming out of S&P I think have been upbeat in their prospects for both the packaging sector and for Sealed Air in particular for an upgrade. But if I had to sort of put a stake in the ground, I imagine it will take a triggering event such as the Grace settlement before we actually see the upgrade in our rating from S&P.

Chuck Peterson - *Morgan Stanley - Analyst*

But I mean if you went to them and just kind of demonstrated that, hey, this is something that we are focused on long term and as we try to grow our business and reward shareholders, this is going to be a constraint that we are going to keep in mind. I mean is that something you would be willing to convey to them?

William Hickey - *Sealed Air Corporation - President & CEO*

We would repeat or let's take that up after our second-quarter call. We have annual meetings with both agencies and they coincidentally are coming up in the next six weeks.

Chuck Peterson - *Morgan Stanley - Analyst*

Okay, thanks very much.

Operator

Peter Ruschmeier, Barclays Capital.

Peter Ruschmeier - *Barclays Capital - Analyst*

Thank you, good morning. Just two quick ones, if I could. I am sorry if I missed this, but did you talk more about your dialing back your CapEx? I know it is a bit of a timing issue, but can you elaborate on the dialing back of your CapEx guidance? And then you are still targeting $300 million or so of free cash flow. Can you really amplify how you think about the priorities for that free cash flow in the context of not having big capital projects that you are going after?

William Hickey - *Sealed Air Corporation - President & CEO*

I will just very quickly say that the timing of the capital is primarily influenced by the fact that our kind of volume growth is a little less than we originally were looking for for 2011. As I mentioned earlier that we are really spending a lot of time in the first half of the year putting in place price increases to cover the input costs. So we still have ample capacity on our current installed base with the unit volume growth we are seeing. So these will get pushed out maybe the second half of the year, but if we do that, that really won't hit the books until the first part of 2012.

On your second question with capital down, we will consider other ways to use our cash flow. As Dave said, we have no debt maturing this year. Obviously, we want to continue to invest in the business and if an attractive acquisition opportunity comes along, clearly, that would make sense, but as you've heard me say a number of times, if we can't find something good to do with our cash, we will find a way to return it to shareholders.

We have stated publicly we are going to return about one-third of our cash flow to shareholders. That is kind of a stated objective and beyond that, just have to stay tuned.

Peter Ruschmeier - *Barclays Capital - Analyst*

Very good. It's helpful. Thank you very much.

Operator

George Staphos, Bank of America

George Staphos - *Bank of America-Merrill Lynch - Analyst*

Thanks. Hi, guys, couple of follow-ons. A year or two ago, you started talking about using more, if you will, sustainably produced materials within your production processes and replacing carbon and that sort of thing, carbon-based materials in your processes. Can you comment at all on where those activities stand and to the degree that it is having an effect on your P&L, what that benefit seems to be either in recent quarters or do you expect for this year or next?

William Hickey - *Sealed Air Corporation - President & CEO*

That is a good question, George, is that we are in the market with several products reducing our resin consumption by up to 30%. We are targeting 20%, particularly in shrink films. That product has been commercial. The core thinner product called CT301 has been in the market for a year. We have introduced two other new versions of shrink film 501 and 701, which are in the market this year. We have actually introduced our first thinned down barrier bag in Europe early this year. We will be coming out with a thinned down inflatable product kind of midyear. We may have even a gauge-reduced bubblewrap product before the end of this year.

And all of those, if you look at the amount of resin we buy, taking 20% of the material out is a pretty good-sized number, but thanks for asking. We are moving. We had a meeting of the management team and said how can we move faster. We have to make some investment in equipment. The investment is not a large dollar investment, but it is a time and development investment. And I had a conversation with our head of R&D last week about what products can we accelerate that would have the most impact on resin consumption this year. So we are moving and thanks for asking the question.

George Staphos - *Bank of America-Merrill Lynch - Analyst*

Bill, is it a year away or five years away where you could see that these activities, if you hold your base of business constant, which maybe is a bit of a flaw in the analysis, but use an assumption that you could take out 5% of your resin or 10% of your resin? How would you size the impact and time the impact?

William Hickey - *Sealed Air Corporation - President & CEO*

Well, we use well over a billion pounds of resin.

George Staphos - *Bank of America-Merrill Lynch - Analyst*

Sure, I know that.

William Hickey - *Sealed Air Corporation - President & CEO*

And it is right now rolled out in one of our businesses on a pretty large scale, but that business is less than $500 million. Some of the biggest opportunities are in shrink bags, which is a very, very large business, and on the inflatable business where the savings is greater than 20%. I am just trying to think of how to put it in terms of pounds. I would say though, by the end of 2012 and this is just an educated outlook, we could have 20% of our product fully converted and that is a rough number, but why don't we look at it, George -- ask the question again in the second quarter.

George Staphos - *Bank of America-Merrill Lynch - Analyst*

Will do. All right, guys, good luck. Talk to you soon.

William Hickey - *Sealed Air Corporation - President & CEO*

Okay, we had one more question -- one more in the queue.

Operator

Rosemarie Morbelli, Gabelli & Co.

Rosemarie Morbelli - *Gabelli & Co. - Analyst*

Thanks for taking my question. Just very quickly, as the price of natural gas seems to be dropping, what could be the impact on your raw material costs or are they mostly from petroleum or is there a switch? If natural gas is slow, then more will be produced with natural gas, but then the amount obtained at the end of the process will be smaller hence price increases?

William Hickey - *Sealed Air Corporation - President & CEO*

Well, that is a wonderful question, a wonderful question, which I am not sure I am qualified to answer, but I will give you my take on it. The US petrochemical feedstocks are produced from the natural gas, which is about $4 a million cubic feet. The Europeans and the rest of the world tends to produce petrochemical feedstocks out of oil, out of the naphtha stream coming out of oil.

Now the historical relationship in energy equivalency has been about 5 or 6 to 1 between oil and natural gas. Oil per barrel was generally 6 times the price of natural gas. Right now, that ratio has gone to 25. It has gone to 25 to 1. So the US Petro chemical producers are dealing with a very, very attractive low cost input, but they are competing on a global market where their non-US competitors are paying 25 times for their input costs. So what you are finding is a combination of higher costs outside the US and a weak US dollar that a lot of the US resin is being exported and that is supporting higher prices in the US. That is the short answer.

Rosemarie Morbelli - *Gabelli & Co. - Analyst*

Okay, that is very helpful. Thank you. And if may ask one last quick one, the volume in the Food Solutions was down 6% in the US and obviously you had that account change. If you eliminate the impact of your account change, what did Food Solutions actually do volume wise?

William Hickey - *Sealed Air Corporation - President & CEO*

I think it was 8%. If you take that out, it was 8% for the quarter, which is where Food Solutions ought to be.

Rosemarie Morbelli - *Gabelli & Co. - Analyst*

Plus 8% if you take (multiple speakers)

William Hickey - *Sealed Air Corporation - President & CEO*

Yes, plus 8%, plus 8%. We have one more Internet question, webcast. Let me read this and then we will wrap up. What is the normalized level of cash balance post the Grace settlement? It is a lot less than $700 million, but I will let Dave field that one.

David Kelsey - *Sealed Air Corporation - SVP & CFO*

And Bill will probably think it is a lot less than the number I am going to suggest, but we can probably run the business with $50 million to $100 million of grease on the wheels, but we also have some parts of the world where we have cash that is trapped either because it will be highly taxed to remove it from the country where it is or in a case like Venezuela, we simply can't get it out in exchange for US dollars.

So when you factor that in as well, we probably move up above $100 million to $100 million to $150 million. So it is significantly below where we are today and it certainly gives us a lot of flexibility once we can put the Grace settlement in our rearview mirror.

William Hickey - *Sealed Air Corporation - President & CEO*

Okay, thank you, Dave. I do want to wrap up here and thank you all for your time and participation today. As I said earlier, the fundamentals of our business remain very solid and we are focusing on executing our 2011 goals and achieving our EPS guidance. Our ongoing economic recovery, our commitment to innovation and investment in a differentiated pipeline of solutions remains our focus.

Recovery of higher resin costs remains an important priority and we continue to implement pricing actions to recover these costs as demonstrated in prior years. We believe that strong execution and a balanced approach will continue to drive improved results, allow us to achieve our long-term goals and create value for all our stakeholders. And it is for this and many other reasons that I continue to be proud to be a Sealed Air shareholder. Thank you for taking the time to listen today.

Operator

Ladies and gentlemen, that concludes today's conference. Thank you for your participation. You may now disconnect. Have a great day.